

13th March 1930

THE

# LEGISLATIVE ASSEMBLY DEBATES

(25th February to 20th March, 1930)

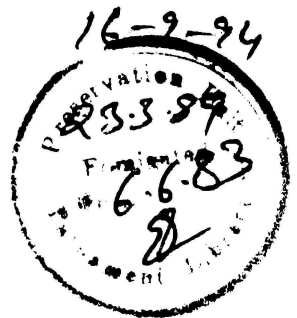
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SIXTH SESSION

OF THE

THIRD LEGISLATIVE ASSEMBLY, 1930

Chamber Fumigated. 18.10.73.....



DELHI  
GOVERNMENT OF INDIA PRESS  
1930

# Legislative Assembly.

## *President :*

THE HONOURABLE MR. V. J. PATEL.

## *Deputy President :*

MAULVI MUHAMMAD YAKUB, M.L.A.

## *Panel of Chairmen :*

PANDIT MADAN MOHAN MALAVIYA, M.L.A.

MR. M. A. JINNAH, M.L.A.

SIR DARCY LINDSAY, KT., C.B.E., M.I.A.

SIR ZULFIQAR ALI KHAN, KT., C.S.I., M.L.A.

## *Secretary :*

MR. S. C. GUPTA, BAR.-AT-LAW.

## *Assistant of the Secretary :*

RAI SAHIB D. DUTT.

## *Marshal :*

CAPTAIN SURAJ SINGH BAHADUR, I.O.M.

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# LEGISLATIVE ASSEMBLY.

Thursday, 13th March, 1930.

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

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## MEMBER SWORN:

Mr. Kunj Behari Lal Agnihotri, M.L.A. (Central Provinces Hindi Divisions: Non-Muhammadan).

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## MESSAGE FROM THE COUNCIL OF STATE.

**Secretary of the Assembly:** Sir, the following Message has been received from the Secretary of the Council of State:

"I am directed to inform you that the Council of State has, at its meeting held on the 12th March, 1930, passed, without any amendment, the following Bills, which were passed by the Legislative Assembly at its meeting held on the 27th February, 1930, namely,

The Bill further to amend the Cantonments (House-Accommodation) Act, 1923, for a certain purpose.

The Bill to amend the law relating to insolvency for certain purposes."

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## BILLS PASSED BY THE COUNCIL OF STATE LAID ON THE TABLE.

**Secretary of the Assembly:** Sir, in accordance with the provisions of Rule 25 of the Indian Legislative Rules, I lay on the table the following two Bills which were passed by the Council of State at its meeting held on the 12th March, 1930:

A Bill to amend the Transfer of Property (Amendment) Supplementary Act, 1929, for a certain purpose.

A Bill to amend the Destructive Insects and Pests Act, 1914, for a certain purpose.

## STATEMENT OF BUSINESS.

**The Honourable Sir James Orerar (Leader of the House):** Sir, with your permission, I desire to make a statement as to the probable course of business in the week beginning Monday, the 17th March. The main business before this House in that week will be the Finance Bill and, unless it is disposed of today, the Bill, which is on the paper in the name of the Honourable Sir George Rainy, further to amend the Indian Tariff Act, 1894, and to amend the Indian Tariff (Cotton Yarn Amendment) Act, 1927. Owing to the disturbance of trade caused by uncertainty on this matter, it is very urgent that a definite conclusion as regards this particular measure should be reached at the earliest possible moment, and Government must decide their course of action next week as regards it and the Finance Bill according to the progress made today. In any case, the first items on the paper for Monday, the 17th will be (1) the election of Members to the Public Accounts Committee in place of Mr. Shervani, Mr. S. C. Mitra and Mr. Ganganand Sinha, and (2) a motion for the election of Members to the Haj Committee. Additional items of business which will be taken up after the House has disposed of the Finance Bill and the Honourable Sir George Rainy's Bill are Supplementary Demands under the General Budget, the election of Members to Standing Committee on Roads, which is to take place on the 18th March, and the election of Members to the Haj Committee, which is to take place on the 21st March. Besides the Bills already mentioned, the outstanding legislative business is as follows:

- (1) The Bill further to amend the Indian Companies Act, 1913, which has been reported by a Select Committee. Motions will be made to take into consideration and pass this Bill.
- (2) The agreement of the House will be asked to formal amendments made by the Council of State in the two Indian Income-tax (Amendment) Bills, passed early in the Session by this House.
- (3) Two other small Bills, namely, a Bill to amend the Transfer of Property (Amendment) Supplementary Act, 1929, and a Bill to amend the Destructive Insects and Pests Act, 1914, which have been passed by the Council of State, will be brought before this House on motions for consideration, and thereafter motions will be made that they be passed.

So much of this business hereinbefore mentioned, which is not concluded in the week ending March, the 22nd, will be taken in the following week, when the remaining outstanding business will also be put on the agenda. This business includes a motion by the Honourable Sir Bhupendra Nath Mitra relating to the recommendations of the International Labour Conference on the subject of the prevention of industrial accidents and the protection of power-driven machinery. It also includes the motion for taking into consideration the Report of the Select Committee on the amendment of the Standing Orders. Other items of business remaining to be taken before the end of the Session are the Excess Demands and the discussion of the Report of the Public Accounts Committee on the accounts for 1927-28.

## ELECTION OF THE STANDING FINANCE COMMITTEE.

**Mr. President:** I have to inform the Assembly that up to 12 Noon on Saturday, the 8th March, 1930, the time fixed for receiving nominations for the Standing Finance Committee, 16 Members were nominated of which two, namely, Mian Mohammad Shah Nawaz and Sardar Gulaß Singh, have since withdrawn their candidature. The number of remaining candidates being equal to the number required, I declare the following Members to be duly elected, namely:

1. Maulvi Sayyid Murtuza Saheb Bahadur.
2. Nawab Sir Sahibzada Abdul Qaiyum.
3. Mr. M. K. Acharya.
4. Mr. Amar Nath Dutt.
5. Mr. Gaya Prasad Singh.
6. Mr. Fazal Ibrahim Rahimtulla.
7. Mr. Sarabhai Nemchand Haji.
8. Mr. Bhupatiraju Sitaramaraju.
9. Rai Bahadur Satya Charan Mukerjee.
10. Mr. Anwar-ul-Azim.
11. Mr. E. F. Sykes.
12. Mr. Arthur Moore.
13. Lala Rang Behari Lal.
14. Rai Sahib Harbilas Sarda.

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## THE HINDU GAINS OF LEARNING BILL.

### PRESENTATION OF THE REPORT OF SELECT COMMITTEE.

**Mr. M. R. Jayakar** (Bombay City: Non-Muhammadan Urban): Sir, I beg to present the Report of the Select Committee on the Bill to declare gains of learning by a Hindü to be his separate property.

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## STATEMENT LAID ON THE TABLE.

### PURCHASE OF STORES BY THE HIGH COMMISSIONER FOR INDIA.

**The Honourable Sir Bhupendra Nath Mitra** (Member for Industries and Labour): I beg to lay on the table the statement furnished by the High Commissioner for India showing all cases in which the lowest tenders have not been accepted by him in the purchase of stores for the Government of India for the half-year ending the 31st December, 1929.

## HIGH COMMISSION

## INDIA STORES

ABSTRACT OF CASES in which tenders for stores demanded by the Central  
tion of the goods demanded, were accepted on the grounds  
greater facility of inspection,

## HALF-YEAR ENDING

PART A.—Cases in which lower foreign tenders, including British tenders  
British

Stores ordered.	Contract Number.	Name of Contractor.	Amount of Contract.
			£ s. d.
Copper firebox plates.	K. 1311/1648/9-7-29 .	Linley & Co. . . .	1,042 11 9 (British).
Axes, Crank, No. 180.	K. 1793/2405/17-8-29 .	Henschel and Sohn A. G. (offered No. 50 only) No. 50.	6,256 5 0 (German).
	K. 1791/2405/17-8-29 .	Fried Krupp A. G., No. 70.	8,785 0 0 (German).
	K. 1792/2405/17-8-29 .	English Steel Corpn., Ltd., No. 60.	7,995 0 0 (British).
			23,036 5 0
Copper firebox plates.	K. 1795/2383/17-8-29 .	Tréfileries et Laminoirs du Havre.	6,048 5 6 (French).
	K. 1796/2383/17-8-29 .	Linley & Co., Ltd. . . .	1,642 3 9 (British).
			7,690 9 3

## RE FOR INDIA.

## DEPARTMENT.

Government, other than the lowest complying with the technical description of superior quality, superior trustworthiness of the firm tendering, quicker delivery, etc.

31st DECEMBER, 1929.

*for foreign made goods, have been set aside wholly or partially in favour of tenders.*

Lowest Tender not accepted.	Reason for acceptance
<p style="text-align: center;">£ s. d.</p>	
<p>915 4 0 (German).</p>	<p>The copper plates were urgently required in India. The lowest tender offered very long delivery and the indenter was therefore asked whether it should be accepted, or, whether the urgency warranted acceptance of a higher tender offering quick delivery. In reply he asked that the lowest tender offering quick delivery should be accepted.</p>
<p>22,590 0 0 (German).</p>	<p>As the delivery required by the indenter could not be met by the two lowest tenderers, orders for two-thirds only of the requirements were placed with them, and the balance was ordered from the tenderer offering the quickest delivery.</p>
<p>7,333 8 6 (French).</p>	<p>The indenter cabled for the immediate supply of some of the plates, and for this portion the tender of the firm offering the quickest delivery was, therefore, accepted. The balance of the plates was ordered from the lowest tenderer, Messrs. Tréfileries et Laminoirs du Havre.</p>

## PART B.—Cases in which the discrimina

Stores ordered.	Contract Number.	Name of Contractor.	Amount of Contract.
			£ s. d.
Caissons and Well Curbs.	K. 1221/179/2-7-29	P. & W. MacLellan, Ltd.	12,297 14 0 (British).
Cords, telephone .	K. 1516/383/24-7-29	International Electric Co., Ltd.	85 0 8
	K. 1517/383/24-7-29	Standard Telephones and Cables, Ltd.	556 3 2
			641 3 10 (British).
Steel sheets .	K. 1555/2109/26-7-29	David Colville & Sons, Ltd.	24 15 10 (British).
Padlocks .	K. 2625/3677/14-10-29	Henry Harrison & Sons, Ltd.	190 16 8 (British).
Ground sheets .	K. 3239/4185/30-11-29	Broadhurst & Co., Ltd.	3,661 16 8 (British).
Duck, linen .	K. 3330/1886/6-12-29	A. McGregor & Co.	1,307 18 4
	K. 3329/1886/6-12-29	Baxter Bros. & Co., Ltd.	158 6 8
			1,466 5 0 (British).

*tion is between British firms only.*

Lowest Tender not accepted.	Reason for acceptance.
<p style="text-align: center;">£ s. d.</p> <p>11,953 16 0 (British).</p>  <p>584 5 1 (British).</p>	<p>The order was placed with the second lowest tenderer in order to obtain the delivery required.</p>  <p>Owing to lack of experience the firm submitting the lowest tender were entrusted with a trial order only, the cords being difficult to make and urgently required. The bulk of the order was placed with the next lowest tenderer who had made previous satisfactory supplies.</p>
<p>16 13 2 (British).</p>	<p>The accepted tender was the only quotation offering delivery in accordance with the indent requirements.</p>
<p>187 7 1 (British).</p>	<p>The order was placed with the second lowest tenderer in order to obtain the delivery required.</p>
<p>3,659 8 2 (British).</p>	<p>The order was placed with the second lowest tenderer in order to obtain the delivery required.</p>
<p>1,460 0 0 (British).</p>	<p>The indenter asked for the earliest possible delivery. Messrs. Baxter Bros. offered 2,000 yards from stock, and an order for this quantity was accordingly placed with them. The balance of requirements was ordered from the lowest tenderer.</p>

## ELECTION OF A MEMBER TO THE STANDING COMMITTEE ON ROADS.

**Mr. President:** Members will now proceed to elect a member to the Standing Committee on Roads in the vacancy caused by the resignation of Kumar Ganganand Sinha. There are two candidates whose names are printed on the ballot papers which will now be supplied to Honourable Members in the order in which I call them.

(The ballot was then taken.)

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## THE COTTON TEXTILE INDUSTRY (PROTECTION) BILL.

**The Honourable Sir George Rainy** (Member for Commerce and Railways): Mr. President, I move that the Bill further to amend the Indian Tariff Act, 1894, and to amend the Indian Tariff (Cotton Yarn Amendment) Act, 1927, be taken into consideration.

It would be in accordance with past practice, Mr. President, if I were to speak at length when asking the House to take into consideration an important measure such as the Bill we have before us. I do not think, however, that it will be necessary that I should inflict on the House a very long speech. My Honourable colleague, the Finance Member, made a very full statement in his budget speech, in which he made it clear how the problem to be solved appeared to Government, and indicated the considerations which had led them to the particular solution embodied in the Bill. I do not propose to traverse at length the same ground again, though before I sit down, I shall briefly recapitulate the main points. Again, I do not propose at this stage to develop in great detail the reasons which, in the view of the Government, justify them in asking the House to adopt this measure. Some aspects of the case I have attempted to examine in detail in a note, copies of which were circulated to all Members of the House yesterday morning; and I do not propose to say a second time what is said in the note, partly because that document is largely concerned with figures, and the art of making masses of figures intelligible in an oral explanation is not one to which I can aspire, but mainly because a more natural opportunity of amplifying or supplementing what is said in the note will present itself when some of the amendments on the paper are moved. The House is, I think, already in full possession of the views which the Government have formed and of the proposals to which their assent is asked; and at this stage my main task must be to explain briefly what the proposals are, to explain what exactly we are asking the House to do if it assents to the motion which I have moved, and also to explain why I have put down on the paper this precise motion.

Let me, Sir, before I come to the more important part of the subject say something about the provisions of clause 8 of the Bill. In 1927 an Act was passed imposing, for a period of two and a half years, a minimum specific duty of one and a half annas a pound on cotton yarn. This action was taken on account of a finding of the Tariff Board that labour conditions in Japan, as regards the hours of work of women and young persons, were such as to reduce the cost of production substantially, and that this competition was unfair. That date expires on the 31st March next, and it will be for the House to judge whether, as proposed by the Government of India,



it should be continued. The grounds on which the Government of India propose its continuance are not the same as those advanced in 1927. Since then, a new labour law has come into force in Japan, which has made a very considerable change in the situation. In 1927 there was no limitation on night work by women; but under the new law, night work is forbidden between the hours of 11 P.M. and 5 A.M. Now, in India the restriction imposed is narrower, and night work by women is forbidden between the hours of 7 P.M. and 5-30 A.M. We have ascertained, however, that in Japan, when two shifts are worked, the actual hours are only 8½ hours a day for each shift, which compares with 10 hours in India. The latest information we have also shows that, on the whole, in the Japanese mills, the women work for shorter hours, are paid somewhat higher wages, and are perhaps better housed and better looked after by their employers than in the Indian mills. In these circumstances, the Government of India felt it quite impossible to say that labour conditions in Japan were inferior and therefore that ground disappeared.

There remained, however, another matter to be considered. When I spoke of an Indian Yarn Tariff (Amendment) Bill in 1927 in this House, I drew attention to a very remarkable change which had appeared in the trade returns within the previous months. The trade figures had suddenly become reversed, and instead of an export trade in yarn from India to China, an import trade in yarn to about the same extent from China to India had come into existence. I pointed out then that that was a matter which Government would have to take into consideration when the time came to consider whether the duty was to be changed or not. Now the information we have is this. At present no limit is imposed on the hours of work either of men or women in Chinese mills, and a number of mills actually work for two 12-hour shifts; there is no restriction on the employment of children and the wages paid are very low. In the last two years, the average imports of cotton yarn from China has amounted to about 10½ million pounds a year, and the average value is low. On the basis of these facts, it seemed to the Government of India that a clear case for the continuance of the duty had been made out. Their attention, however, was called, towards the end of February, to the provisions of a new law, which it was proposed to bring into force, and which, if full effect were given to it might alter the situation materially. The law, according to our information, prohibits child labour under 14, fixes the daily working hours for adults at 8, with a possible extension to 10, prohibits work by women between 10 P.M. and 6 A.M., and provides for a weekly rest day. In its provisions, this law seems to be stricter than the law either in Japan or in India. It was promulgated on January 16th last. We have endeavoured to obtain information whether it was merely a project of the law, if I may say so, or whether it was actually being enforced. The information we have received is that no attempt has been made as yet to put it in practice. That is how the position stands today. Also yarn, produced under the conditions hitherto prevailing, must be on the market for a period of six months at least before any yarn manufactured under the conditions imposed by the new law, if that law were immediately to be brought into force, could come on the market. That being so, the Government of India felt they had no alternative but to proceed with the provision in the Bill providing for the continuance of the duty. If conditions change, and if it appears that labour conditions have been substantially altered for the better, then of course the question will be reconsidered. But I think I ought to say this, that the Government of India must hold themselves

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entirely free in that matter, and I do not propose to give any guarantee as to what the result of our consideration might be. We do not want frequent changes in the duty on yarn, and we must reserve entire freedom to continue the duty for the period of three years for which it is now proposed to continue it. On the other hand, the Government of India must also reserve liberty to place a measure before the House, if that were thought fit, proposing the discontinuance of the duty. But as things are at present, we have no hesitation in asking the House to approve of this particular provision in the Bill. I have dwelt at some length on this point, Mr. President, because on this point this is the first opportunity any one has had of making a statement on behalf of Government.

I turn now to the proposals in the Bill relating to cotton piece-goods. What are these proposals? As the House is aware, on revenue grounds alone, Government consider it necessary to raise the duty on cotton piece-goods from 11 to 15 per cent. Therefore, the Finance Bill contains a clause omitting the entry in the Tariff Schedule which imposes a duty of 11 per cent. *ad valorem* on all cotton piece-goods. The effect of that particular provision in the Finance Bill, if it stood alone, would be to bring piece-goods under the entry "Other manufactures of cotton not otherwise specified". In this Bill we propose certain further changes. In the first place, it is proposed to impose a duty of 20 per cent. *ad valorem* on piece-goods not of British manufacture; in the second place, the Bill imposes a minimum specific duty of 3¼ annas a lb. on plain grey goods not of British manufacture; and in the third place, the Bill defines the term "plain grey goods" for the purposes of the specific duty. I should like to say something, Mr. President, on each of these points. The grounds for the first proposal are that, unless the duty on piece-goods imported from certain countries is raised to 20 per cent., the protection given will not be fully effective. The reasons for not applying the higher rate of duty to goods of British manufacture are first, that the import and production returns of the last 20 years indicate that, with an advantage under the operation of the customs and excise duties, varying from 4 to 11 per cent., large quantities of goods imported from the United Kingdom have been replaced by Indian goods. With the 15 per cent. duty, Government have no doubt that this process of replacement must continue at an accelerated rate. In their view, nothing in excess of 15 per cent. duty on such goods is needed by way of protection. The second reason is that the burden imposed upon the consumer is out of all proportion to the benefit to the manufacturer. I have dealt with that point, Mr. President, in the note to which I have referred, and I do not think I need take up the time of the House by going deeply into the matter again. In substance, what the Government of India feel is this, that the 20 per cent. duty imposed all round would raise the cost to the consumer of enormous quantities of goods which are not in effective competition with Indian made goods, and that the benefit which the Indian manufacturer could derive from the duty, within the period of three years for which it is proposed that it should be in force, would be very small, the reason being that the great bulk of British goods imported into India are woven from the finer counts of yarn, and it is not likely that, within a period of three years the Indian manufacturer would be able to produce any substantial quantity.

I turn now to the minimum specific duty on plain grey goods. Three reasons led Government to the conclusion that they ought to be dealt with specially. In the first place, these goods form the staple production of the Indian mills, and especially of the Bombay Mills. In Bombay, the production of plain grey goods is about half the total production and in the mills in the rest of India about two-fifths. In the second place, it is in respect of this class of goods that the competition from abroad is most keenly felt and it is in this class of goods that the growth of foreign imports has been most rapid and most noticeable. In particular, in the class which is shown in the trade returns as long cloth and shirtings, the increase in the imports from Japan during the last three or four years has been very remarkable. In the third place, Indian mills are capable of producing, as they stand equipped at present, very nearly the whole of the country's requirements of this class of goods, putting aside the jaconets and mulls which are woven from the finer counts and are not made in India. Here Government felt that the 8½-anna duty would lay no unnecessary burden on the consumer, and that special protection ought to be given at the point where it was most needed.

I come now to the third point, namely, the definition of plain grey goods. As that definition stands in the Bill, it covers goods other than those which would ordinarily be classed as plain grey. I should like to explain why this course was adopted. The reason was that, unless the definition was somewhat extended, the protection proposed to be given would to a certain extent be ineffective. In the first place, a new class of imports, especially from Japan, has come into existence in the last year or two, namely, *dhutis* with printed headings and we have evidence that, owing to the low price at which they come on the market, the competition of such goods is very keenly felt by the Indian mills. The definition includes as "plain grey" *dhutis* with printed headings, but excludes those with woven headings. In the second place, there is the danger of substitution. It would be a comparatively simple matter to substitute for a plain grey shirting, a similar shirting with a coloured woven stripe, and the protection would then become ineffective. Again, information has reached Government, that goods are being imported at low prices composed of bleached yarn with a pattern of coloured yarn. I understand that such goods would ordinarily be made from grey and coloured yarn and bleached in the piece afterwards. But in that case the yarn must be dyed in fast colours, but if bleached yarn is used, loose colours can be employed instead. The result is unsatisfactory alike to the purchaser and to the Indian mills, whose patterns are often imitated, and when the purchaser is dissatisfied with the imported goods, which he has purchased, he is very apt to transfer his dissatisfaction to the products of the Indian mills, which have been imitated. It was felt that, in the Bill, it was necessary, if possible, to provide against any danger of substitutions of the kind described.

Perhaps, Mr. President, I might turn now to what we are asking the House to do if they assent to my motion that the Bill be taken into consideration. I should like to make it clear that we do not ask the House, at this stage, to pass a final decision on the question whether, in the scheme of protection, there should be preference for British goods. If I were to ask the House to do that, I should be asking the House to rule out of discussion important amendments which stand in the name of Honourable Members opposite, and that is not my object. The principle

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of the Bill for present purposes must be taken to be this, that it is necessary, in existing circumstances, to protect the manufacture of cotton piece-goods in India, and beyond that, assent to this motion will not commit the House. On the other hand, having said so much, I must say more. I should be misleading the House if I conveyed the impression that Government have an open mind, or that they are prepared to discuss these various amendments on the footing that all of them are equally open for consideration. I have no desire whatever to mislead the House on that point, and indeed it would be entirely wrong if I did so. Drastic changes in the scheme embodied in the Bill, it would, I fear, be impossible for the Government to accept. But as regards one of these amendments, namely, that which stands in the name of my Honourable friend, Mr. Chetty, I am willing to say that, after full consideration, Government are prepared to accept that amendment.

I turn now, Mr. President, to another point. I think the practice has been very nearly invariable when a Tariff Bill is before the House, to ask the House to refer it to a Select Committee. I should like to explain why Government have not adopted this course on the present occasion, but have put down a motion for consideration. One reason is that the provisions of the Bill are not nearly so elaborate as the provisions of some Tariff Bills that the House will be able to recall. But that is not, of course, the main reason. The main reason is that Government regard the passage of this Bill, at a very early date, as of first class importance. My Honourable friend, the Leader of the House, in the Statement of Business which he gave the House a short time ago drew attention to the unsettlement of trade which must continue until the final decision on the question is reached. Now, if the Bill was sent to a Select Committee, a certain amount of delay would be inevitable, and Government are very anxious that that delay should not occur. It is obvious that, when substantial increases of duties are made, the merchants rightly and inevitably make the attempt to bring in large quantities of goods before the duties come into force. That, whether looked at from the point of view of protection or of revenue, is something which Government must be anxious to prevent if it can. Therefore, Government felt that the only thing to do in this case was to put down a motion for consideration and to ask the House to proceed with it as rapidly as possible.

I do not propose, Mr. President, to say very much more in moving my motion, but perhaps I might say something on the general point of view from which Government have approached the question. They have approached it from the point of view of their declared policy which has been approved by this House, the policy of discriminating protection. That policy requires that, when protection is given, it shall be given with due regard to the interests of the consumer. Now, that implies that account must be taken of the proportion which exists between the burden on the consumer and the benefit to the industry, and the measures taken must be such that the former is not excessive in proportion to the latter. Protection must, of course, be adequate for its purpose and it should be given to the extent necessary at the point where it is most needed. But as long as the policy of discriminating protection is the policy which commends itself to the Government of India and to this House, it should not go beyond these limits. My Honourable friend, the Finance Member,

explained in his budget speech that what we were proposing was a scheme with a limited objective for a limited period, and that the immediate object was the preservation of the industry or an important section of it, and not its ultimate development. The latter point is reserved for consideration ~~during the Tariff Board's inquiry which if the provisions of this Bill are accepted by the House, would be held in the year 1932-33.~~ When I say a limited objective, I refer especially to the condition of things which exists in the cotton mill industry in the Bombay Island. The situation there has been a cause of anxiety to Government throughout the past year and they have given much anxious time and thought to it. About the situation as it exists today, I do not think there can be any doubt, for all the information that reaches Government is to the effect that emergent measures are necessary if very dangerous results are to be avoided. Quite obviously, the repercussions on the economic life in the city and the Presidency of any collapse in the Bombay mill industry would be exceedingly serious. It is on this ground that the Government of India are asking the House to take emergency action and to proceed with this Bill, notwithstanding the fact that it is not based on any detailed recommendations made by the Tariff Board.

Now, Mr. President, as regards this question of protection for the cotton textile industry, we have explained as fully as we can what our objects are, the methods by which we seek to attain them, and the reasons which, in our judgment, justify them. We have laid on the table the correspondence which has passed between His Majesty's Government and the Government of India. We have taken the House fully into our confidence and we must now leave the question for the judgment of the House. The Government of India believe that the scheme they have put forward is the best that could be devised in the interests of India, in the present circumstances, and that no variant would be equally effective or equally fair to all the interests concerned. They frankly recognise that, as my Honourable colleague, made plain in his budget speech, the method adopted involves a preference to British manufactures, and he also made it clear that, in our view, this preference, far from being injurious to India's interests, was, when all the circumstances were taken into account, likely to further these interests and not to prejudice them. Unless we were convinced of this, no Member of the Government would have made himself responsible for the Bill. With these words, Sir, I confidently leave the Bill to the judgment of the House. (Applause.)

**Pandit Madan Mohan Malaviya** (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, I beg to ask for some information from the Honourable Sir George Rainy. We are grateful for the correspondence between the Government of India and His Majesty's Government that was laid on the table yesterday. Will the Honourable Member also please lay on the table the first communication which he made to the Secretary of State intimating to him the proposals which the Government of India wanted to put forward in regard to the cotton duties. That communication has not been laid on the table. Will the Honourable Member be pleased to do so now?

**The Honourable Sir George Rainy:** I am afraid I cannot comply with the wish of the Honourable the Leader of the Opposition. The correspondence to which he refers, the letter containing the original proposals

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of the Government of India is part of the correspondence which is entirely confidential. Opportunities will naturally occur at later stages in our discussions when I could make a fuller statement as to the position of the Government of India prior to the receipt of the Cabinet's message. I am reluctant to do so at this stage, because I think it would come in much more appropriately and much more clearly at a later stage.

**Pandit Madan Mohan Malaviya:** Will the Honourable Member state at least this, whether the original proposals were the increase of duty from 11 to 15 per cent. and an additional duty of 3½ annas per pound on plain grey goods? Was that the original proposal?

**The Honourable Sir George Rainy:** I shall be able to give this information to the House before it is asked to vote on any question for the decision of which information of that kind would be valuable. I should prefer to make a fuller statement at that stage, and also as it might take some little time, I am anxious at this stage not to make any further addition to the speech.

**Pandit Madan Mohan Malaviya:** Does the Honourable Member recognise that it is a very important matter, which will affect the judgment of this House in the view that they should take of the proposals? They should know what the original proposal of the Government of India was for protecting the cotton industry of Bombay.

**The Honourable Sir George Rainy:** Well, Sir, if the House will bear with me, I will endeavour—I have no desire not to be reasonable in the matter—to meet the wishes of my Honourable friend as far as I can. Undoubtedly at this stage, when the Cabinet's message was received by the Government of India, the proposals of the Government of India included the increase of the revenue duty to 15 per cent. and special treatment for plain grey goods. But I should be misleading the Honourable Member if I were to convey the impression that any final decision had then been taken. That was the stage at which it stood at that time.

**Pandit Madan Mohan Malaviya:** The special treatment was 3½ annas per pound against plain grey goods. Was it not?

**The Honourable Sir George Rainy:** That undoubtedly was part of the scheme of the Government of India at that time.

**Rai Bahadur S. C. Dutta** (Surma Valley *cum* Shillong: Non-Muhamadan): I want at this stage to discuss the principles of the Bill.

**Mr. President:** Several Honourable Members want to do so. Mr. Das.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, I rise to oppose the consideration of the proposition put forward by my Honourable friend, Sir George Rainy. Sir, the underlying principle of the Bill is not protection as claimed by the Honourable the Commerce Member, but it is Imperial Preference, and this House—at any rate the elected Members of this House—are entirely opposed to the principle of Imperial Preference (Hear, hear). Sir, the year 1927 enabled the Government to bring Imperial Preference to this House by the back door. There was the Steel Protection Bill, and I am proud to say that I was the first on this side of the House to oppose, at the time, the pernicious principle of Imperial

Preference. (Hear, hear.) Then there was the Cotton Yarn Protection Bill, which was another dose of Imperial Preference, and it got through in spite of the vehement opposition from this side of the House. Then, to quote my Honourable friend, Mr. Birla, now Imperial Preference has come by the front door, and we are asked to swallow the whole pill. Sir, much has been said about the message of the British Cabinet. The Honourable the Finance Member referred to it.

**Mr. President:** I think it is necessary for the House to know what the effect of the opposition to this motion would be. Honourable Members will be prevented from putting forward any alternative proposals to the proposals of the Government if they were to throw out this motion. It is therefore for them to consider whether they should oppose the motion, or whether they should allow the motion to get through after the general principles are fully discussed.

**Mr. M. S. Aney** (Berar Representative): May I ask one question to understand the position clearly? Shall we not be justified in expressing our opposition to the principle underlying this Bill, although we may not oppose the motion as such.

**Mr. President:** Honourable Members are entitled to express their opposition to the principle underlying the Bill. They are entitled to discuss the principle in all its aspects fully and at great length. But all I warn the House against is that, if they desire to go to division on this motion, and if the motion is lost, they will lose an opportunity of putting forward and discussing alternative proposals.

**Pandit Nilakantha Das** (Orissa Division: Non-Muhammadan): Imperial Preference being the main part of the principle of the Bill, when this motion is agreed to, and thus the principle underlying this Bill is accepted, it does not mean that Imperial Preference in principle is accepted along with it?

**Mr. President:** The Honourable Member is quite right. But the acceptance of the principle of Imperial Preference at this stage will not debar Honourable Members from moving amendments at a later stage rejecting Imperial Preference.

**Mr. M. A. Jinnah** (Bombay City: Muhammadan Urban): I think, in view of the statement made by the Honourable Sir George Rainy—and he defined his position very carefully—that, if we were to carry this motion that the Bill be taken into consideration, it would not mean that the House would be endorsing the principle of Imperial Preference and therefore, Sir, in view of that statement it does make some difference.

**Mr. B. Das:** Sir, your advice is always listened to and acted upon by us.

**Mr. President:** Thank you.

**Mr. B. Das:** Sir, with all respect, I value the advice which you gave to this House. Sir, speaking for this side of the House, the Leader of our party and the leaders of the various parties had had repeated conferences with the Executive Members of the Government of India, and from what transpired at our party meetings, we understood, that we would have no other alternative but to oppose . . . .

**Mr. President:** I thought Honourable Members had no confidence in their Leaders.

**Mr. B. Das:** I have entire confidence in Pandit Madan Mohan Malaviya. I may repeat that the decision of my party was that we should oppose tooth and nail this pernicious principle of Imperial Preference.

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): So there was some conspiracy.

**Mr. B. Das:** Sir, the Honourable the Finance Member referred to the message of the British Cabinet, an extract of which message was laid on the table of the House yesterday by the Honourable the Commerce Member. I wish just to quote one pertinent passage out of that British Cabinet's message:

"Secondly the probability that such an addition to the duty would have a disastrous effect here at this moment, an effect which the Cabinet feels sure that you and your Legislature do not desire to create."

Sir, while discussing the General Budget, I said that, while we were willing to give every consideration to the message of the British Cabinet, as a preliminary to that, we must be equal partners in the Empire. As equals we can give and take. Situated as we are, treated always as a subject nation, we do not want to consider any message from the British Cabinet or from the Government, when we find their decision is just poured down our unwilling throats. Sir, as regards that particular phrase, "that you and your Legislature do not desire to create", I do not know if any action of this Legislature has any effect on the British Cabinet or the British Parliament. For the last seven or eight years we have agitated for constitutional freedom and it has not been granted to us. The  
12 NOV. *ex-Secretary of State, Lord Birkenhead*, pooh-poohed any idea which was put forward by us and said that the leaders of India did not put forward any considered demand for the constitutional freedom of India. Of course, I can understand the difficulties of England. England would be faced with a trade disaster if the mill industry in India is protected by a uniform tariff duty of 20 per cent., and so they should naturally ask for some discriminating measure from us. But what interested me most was another passage saying that,—

"It would not be inconsistent with the procedure governing the now well-recognised fiscal autonomy convention."

Sir, I am not aware—I am open to correction—that India had entered into any well-recognised principles of fiscal autonomy with England. So far as my knowledge goes, whatever England wants, she takes. It is like the well-known story of the lamb drinking water and the tiger saying that his father had dirtied the water and so he would swallow the poor lamb. That is the well-known principle of England. So what is the use of saying, "well-recognised fiscal autonomy convention"? Will the Honourable the Commerce Member, in his reply to my speech, say if there is any



such convention that India and England gave each other certain assistance in matters of fiscal policy? Then what about the fiscal relations with other independent nations such as Japan? To that I will come later on. Sir, the other day, while I was speaking on the Budget I said . . .

**Mr. President:** The Honourable Member is very fond of quoting himself.

**Mr. B. Das:** My point is that India does not wish to create bad feeling with the other Asiatic nations. Japan happens to be one of the largest buyers of Indian cotton. As far as I know, England does not buy a single bale of Indian cotton; she buys Egyptian and American cotton. Yet Japan, which buys the largest quantity of Indian cotton, is going to be banned by this measure of Imperial Preference. I do not know whether it will affect the treaty relations between Japan and England. We have already seen in the Press that Japan has protested to the British Government. Whether the Japanese Government has any trade conventions with India I do not know. My Honourable friend Mr. Howell, who is just coming in, may perhaps enlighten me whether India carries on any treaty or fiscal relations with the Japanese Government. But the Indian people are always anxious to cultivate the friendship of the Asiatic nations. I remember nearly nine years ago, when there was held the first Buddha Jayanti festival in Bombay, my Honourable friend, the Deputy Leader, Mr. Javakar, enunciated the principle that there should be a pan-Asiatic federation of the Asiatic nations. If the House supports the Bill and if we give Imperial Preference to the United Kingdom, this idea of unity and harmony with the Asiatic nations will for ever be shelved.

Sir, nobody disputes that there should be protection, but is it protection to the Bombay millowners, or is it protection to Lancashire? We have no sympathy with Lancashire, because Lancashire has stood for the last 70 or 80 years against the development of Indian mill industries. If Lancashire is in difficulty, we ask the British Government to put such taxes and pay such bounty to Lancashire as will enable her to find an outlet for her goods. Why India should give a protective tariff to Lancashire I cannot understand. If the representatives of the Bombay millowners, who are present here, demand a protection of 20 per cent., or even 50 per cent., I will vote with them whole-heartedly. But if they say that they are in difficulties and they must have any little crumb that the Commerce Member will care to throw to them, which may involve big constitutional issues leading to an Imperial Preference of 5 per cent. for British goods, nobody on this side will support that pernicious idea.

Sir, three years ago when we discussed the Indian Yarn Protection Bill, which was another measure of Imperial Preference, three main charges were laid against the Bombay millowners; that the Managing Agents of the Bombay mills themselves had done nothing to improve the financial conditions and the trade conditions of India, that they themselves happened to be representatives of foreign insurance companies, and not only did they insure their own mills in these foreign insurance companies, but they canvassed with other Indian business houses to insure their business in foreign insurance companies. That is a direct hit against the development of Indian industries. Then some of them are mill store agents—not only the Bombay millowners but I also include the Ahmedabad millowners. They are all mill store agents. So, by importing foreign mill

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stores, they never develop the allied mill store manufacturing industries in India. So I laid that charge against the Bombay millowners then, and I lay that charge again.

Then the biggest charge against the Bombay mill-owners is that they over-capitalised their mills after the war boom period, and it is mentioned in the Report of the Tariff Board that, while Japan laid by, from their huge profit, sufficient reserve after the war boom,—a very good amount of depreciation charges—the Bombay millowners swallowed all the profit that came to them, and they even went to the extent of capitalising their concerns. I miss my Honourable friend, the gallant Baronet, Sir Victor Sassoon, here, but he is himself the owner of a group of mills whose capital was 2 crores before the war, and suddenly it was raised to 10 crores, and I understand it stands at a share capital of 6 crores at present. It may be Bombay's idea of share speculation and gambling, and all that, which we laymen coming from other parts of the country cannot understand.

**Mr. H. P. Mody** (Bombay Millowners' Association: Indian Commerce): Why do you criticise if you do not understand?

**Mr. B. Das**: I do not criticise! I say that you are today humiliating the whole nation!

Sir, today I wish to lay a few more charges against the millowners regarding their mismanagement as Managing Agents. I will not say it in any words of mine, but in the language of my Honourable friend, Mr. Kikabhai Premchand, who I am sorry to see is not here. Every year my friend, Mr. Kikabhai Premchand, issues a book known as the Annual Market Review. This is what he says in his book for 1929, and I hope my Bombay friends and the Treasury Benches will appreciate very much the criticism of Mr. Kikabhai Premchand:

"But public opinion is growing and becoming more vocal. It is ineffective now, largely because the Managing Agents are entrenched behind their agreements and the shareholders are powerless. But with the removal of the Managing Agency system and the vesting of real power in the ordinary shareholders public opinion will strengthen with the sense of responsibility, and the investors will be more actively insistent on the careful and skilled management of their property."

There is also another luscious passage, which I cannot quote now, as it is missing. My charge against the Managing Agents is that they happen to be the buying and selling agents. They buy cotton on behalf of the mills, and they charge a certain amount of commission. They sell the piece-goods, and they charge a certain amount of commission on them. Therefore, whatever the mills get, all goes to the Managing Agents, and nothing is left to the shareholders, and then they come to the Tariff Board for protection, and the President of the Millowners' Association asks why we should criticise their policy in this House.

My next charge against them is that they are big speculators. They speculate and gamble in the Indian cotton market, and when there is huge deficit, say a loss of one crore, they quietly write it down to the account of the mills. That is a very serious charge. That being so, how can the

shareholders derive any profit? I have made these charges, and I hope they will receive serious consideration when the reply of the millowners is given.

**Mr. President:** Treatment of Labour? (Laughter.)

**Mr. B. Das:** I will quote my Honourable friend, Mr. Birla, on that subject, who was the President of the Federation of the Chambers of Commerce, and who is one of the largest millowners of Delhi and Calcutta. In his concluding remarks at the last annual sitting of the Federation of Indian Chambers, Mr. Birla spoke of his relations as an employer with labour as a sacred and noble obligation. He is treating the labour population with friendship and humanity. (Hear, hear.) As regards the trouble in Bombay, I hope my friends, Diwan Chaman Lall and Abdul Matin Chaudhury, who were the accredited representatives of labour at Geneva, will speak.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadian Urban): Whom did you represent? Employers?

**Mr. B. Das:** I may tell my Honourable friend, Sir Cowasji Jehangir, that, whatever I represented I did not represent the greed of the Bombay millowners. I will just quote a passage from my Honourable friend, Mr. Birla's writings.

**Sir Cowasji Jehangir:** As regards speculation?

**Mr. B. Das:** You will soon know what it is. My friend, Mr. Birla, wrote on the 23rd August, 1929, in an introductory note to that excellent handbook, on "The Indian Cotton Textile Industry" by Mr. M. P. Gandhi, published in 1930, the following:

"And, if in spite of all these handicaps, the cotton industry of India is not only living but flourishing. . . ."

According to Mr. Birla it is "flourishing" and according to my friends, Sir Victor Sassoon and Mr. Mody, the mill industry is not flourishing. Then he goes on to say:

"and gaining ground gradually, it is entirely due to the sense of awakening and patriotism among the people on the one hand and the efficient management of millowners on the other."

**Mr. R. K. Shanmukham Chetty** (Salem and Coimbatore *cum* North Arcot: Non-Muhammadian Rural): Including the Bombay millowners?

**Mr. B. Das:** I am glad Mr. Birla mentions the "sense of awakening and patriotism of the people". My friend, Mr. Chetty, will also understand it. Mr. Birla then says:

"The up-country mills, therefore, are becoming serious competitors to the Bombay Mills. The seriousness of the situation of the Bombay mills was very well reflected in the recent strikes and it is high time, therefore, that Bombay mills, instead of working on cloth in which they cannot compete with up-country mills, seriously took to the manufacture of fine and fancy goods."

I hope my Honourable friend, Sir Cowasji Jehangir, notes the advice given by my friend, Mr. Birla. I find similar advice given to the millowners from another quarter, I mean, by my Honourable friend, Mr. Kikabhai Premchand, in the book I have already quoted, "It is undeniable that foreign competition, in addition to competition from up-country mills,

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has grievously affected Bombay's premier industry''. This is what Mr. Kikabhai Premchand has said in his book in 1929, which was probably published a month or two ago. Mr. Kikabhai is a well known stockbroker of Bombay and this is his view. I hope my Bombay friends will agree with him.

**Mr. N. C. Kelkar** (Bombay Central Division: Non-Muhammadan Rural): But Mr. Kikabhai supports the Bill.

**Mr. B. Das:** Mr. Kikabhai has to take his instructions from the *Times of India* about that. He has given us the exact picture of competition which India has both from up-country mills and from outside India. This protection would not help the up-country mills, unless it is increased to 50 per cent., in which case I think the Honourable the Finance Member will be very glad to get the extra revenue. But it will not suit the consumer at all. Sir, I find that, since this Bill was laid on the table, there have been various meetings and pronouncements all over the country. The various Indian Chambers of Commerce, except those from Bombay, have all opposed tooth and nail this Imperial Preference. My friend, Mr. D. P. Khaitan, spoke as the President of the Indian Chamber of Commerce at Calcutta the other day, and he delivered a long speech opposing this Tariff Bill tooth and nail and he tendered some very good advice to the Bombay millowners. I hope they will take it. I may also quote another Chamber of Commerce, the Bihar and Orissa Chamber of Commerce. (Hear, hear.) It has passed a resolution strongly opposing Imperial Preference, and although I do not generally agree with that Chamber, even that Chamber does not want to give any protection to the Bombay millowners. The question is, has the buying power of the people increased? Are not the people becoming poorer and poorer every day on account of the policy of Sir Basil Blackett in regard to the ratio question? How can they buy the increased production which my friends of Bombay are trying to do by this protection? If they cannot buy the increased production, the millowners will have to suffer. I think the Bombay millowners, as the first preliminary, have to reduce their capital. Their over-capitalisation must cease. It is only then that they can derive as much profit as my friend, Mr. Birla, or the Ahmedabad millowners.

Sir, whenever Government bring forward measures of protection, I warn the Government that they should not give protection without controlling the industries seeking protection according to well-known conventions. The recommendations of the External Capital Committee have not yet been given effect to. Sir Basil Blackett, who wanted to have them discussed on the floor of the House, never did so. We gave protection to Tata's steel industry, which is still not able to dispense with protection. We go on giving it further and further protection year after year. In spite of that, an American has become partner of the Tata Company in their hydro-electric concerns. We may hear next that Tatas have sold the Iron and Steel Company to an American Corporation. Sir, it is well known that Tatas have not been able to Indianise their superior establishment in the steel industry, and also Tatas have not been able to market their steel properly in India. Probably, in two or three years, they will again come forward for another measure of protection. We gave protection to the paper industry. Everybody knows there are only one or two Indian directors on that paper company which is European-owned, and we do not know if Indians are trained there as probationers,

or if Indians are taken there as officials in the paper factory. We do not know if their capital is Indian rupee capital. Government should not give effect to protective measures without creating machinery to apply a certain amount of control and check on those industries which are given protection.

Sir, I will now speak a word about the second dose of Imperial Preference, which the Honourable Sir George Rainy has introduced by clause 3 of the Bill for extending the Indian Tariff (Cotton Yarn Amendment) Act, 1927, for another three years from 1930 to 1933. When that Act was passed, those of us who have the interests of the handloom weavers at heart strongly protested. What we at that time understood from the millowners' representatives was that they wanted protection only for three years. Now, even if 20 per cent. protection is not granted, a 15 per cent. tariff on piece-goods with 4 per cent. additional duty on those goods, gives ample protection to the millowners. But what protection has been given to the very large cottage industry in India, the handloom industry? Honourable Members know that there are 20 to 25 lakhs of handlooms working in India. I may remind my Mussalman friends that all these 25 lakhs of handlooms employ 60 lakhs of people, of whom about 40 lakhs are Mussalmans. Here everybody talks of giving help to the rich. Who thinks of the poor? This Cotton Yarn Protection Bill, that was promulgated in 1927, has already done great harm to the handloom industry. I have made inquiries. Of course, Government have also made inquiries; they have laid their statement on the table. Nowhere has the price of handloom cloth gone up; everywhere the price of hand woven cloth is stationary, or even less by an anna or two annas. Let us see what has happened. A pair of *dhotis*, produced in two days costs Rs. 3, but the price of the raw material, yarn, has gone up by six annas, and the poor handloom weavers, the family of three or four people, working for two days to produce a pair of cloths, their wages have been reduced by six annas. Is that not a very striking condemnation of the Yarn Protection Act? My Honourable friend, Sir George Rainy, without giving us any reasons, says he will extend it for three years more. Why have the Government brought in this measure to impose a duty on Japanese yarn? We do not object to yarn made in Japanese mills. There is a difference in price between Indian and Japanese yarn, but yet everybody knows that Japanese yarn is better appreciated by the Indian handloom weavers than yarn spun by many of the mills in India. The handloom weaver finds that Indian yarn is not uniform. Apart from that, while the millowners of Bombay Ahmedabad, and other places derive an extra profit from 15 per cent. to 20 per cent. or 30 per cent. the poor handloom weaver, instead of getting even a living wage—my friend, Diwan Chaman Lall, will tell us what is a living wage—of 8 annas or 6 annas per day, is reduced to a wage of 4 annas or 5 annas. Is not that a hardship? I do hope that, in their support of protection to the millowners, they will support also protection to the handloom weavers.

**Mr. Fasal Ibrahim Rahimtulla** (Bombay Central Division: Muhammadan Rural): Are you for protection or not?

**Mr. B. Das:** I am for protection. I have always been for protection, but I am not for injuring another huge industry by giving protection to one rival industry. It has been protested that handloom weavers have

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never asked for protection. Sir, these six millions of weavers, who are scattered in the interior villages all over India, who are inarticulate and illiterate, how can they think of coming to the Imperial heights of Delhi and Simla; how can they come and ask the Honourable Sir George Rainy to give them protection? I ask my Honourable friend, Sir George Rainy, to look into the evidences which the Directors of Industries of the different Provincial Governments recorded in favour of the handloom weavers at the time the Tariff Board took evidence in 1927.

**Mr. President:** I think the Honourable Member must now conclude.

**Mr. B. Das:** I will conclude, Sir, in a few minutes. It is a very difficult subject. Sir, my Honourable friend, Sir George Rainy, said that he would oppose most of the amendments that have been tabled on behalf of the Government. He wanted to cut short this debate by saying that Government would oppose all amendments, except what my Honourable friend, Mr. Chetty, has put forward. My Honourable friend Mr. Chetty's amendment is nothing but Imperial Preference. It is 90 per cent. Imperial Preference, 10 per cent. may be something else—call it protection or alms. My Honourable friend Mr. Chetty's amendment will come up for discussion later on. Speaking on behalf of my party, I want to ask the Government, "Are you going to be guided by the views of non-official Members on this question? You are not responsible to the Indian electorate; you are responsible to the Secretary of State and the British Cabinet." The 40 votes that Government have on their side represent British interests; British Parliament and British Cabinet. Even if we are defeated by one vote, I say that cannot be a vote in favour of Indian interests. It is only fair that their 40 votes should not be counted on this question. A vote taken in that way alone will be the measure of Indian feeling. A vote taken with the help of the 40 votes of Government cannot be an index of the real feeling of the House and the real feeling of India. Sir, I do not want to utter one word that will hurt the feelings of the Government side. (Hear, hear.) I am not as irresponsible as my friend, Colonel Crawford, who misjudged me the other day while I was appreciating the speech of my friend, Mr. Abdul Matin Chaudhury, who was saying that the Indian youth is becoming an admirer of revolutionary methods—my friend, Colonel Crawford misread my thoughts . . .

**Mr. President:** This is not relevant.

**Mr. B. Das:** No, Sir, (Laughter), but the gallant Colonel may rise a few minutes later and say that I am showing my hatred to England. Sir, I have no hatred for England; in this Gandhi age I have no hatred for England, but I am only trying to explain my principles which apply equally to the speech of my friend, Mr. Abdul Matin Chaudhury, as to the subject which we are discussing today. Sir, the situation in the country is very difficult and critical. We are passing through trying ordeals. And if the Viceroy in his pronouncement of 31st October, 1929, asked us to bear goodwill and to create a good atmosphere all over India, we on this side have done our very best to foster that goodwill. If sometimes it has gone beyond us, it is not due to us but to the Government—it is due to the Viceregal statement of the 25th January on the floor of this House.

My friend, Colonel Crawford, asked me how I can take the oath of allegiance and be an admirer of revolutionary methods . . . .

**Mr. President:** The Honourable Member knows that this is all irrelevant.

**Mr. B. Das:** All right, Sir. I shall conclude my remarks with just one more quotation, and with my strong condemnation of the principle of Imperial Preference. I ask Members on the Treasury Benches and of the European Group to read a book,—which I think some of them might perhaps have read,—“The Revolt of Asia” by Upton Close. Sir, it is not written by an Englishman; it is written by an American journalist, Mr. Josef Washington Hall, who is a Lecturer in some American University. I shall only quote the last four or five lines of his concluding remarks . . . .

**Maulvi Muhammad Yakub** (Rohilkund and Kumaon Divisions: Muhammadan Rural): Why do you give preference to Americans?

**Mr. B. Das:** I give no preference to anybody. When this gentleman came to India, he met some big Government official at Delhi and asked him, “How are you going to bring peace in India?” That British official told him, “We are a blundering race; we go on blundering, and in the end somehow we will pull through.” I shall quote his last few words from this book, which I would ask my friend, Colonel Crawford, and also the Treasury Benches to bear in mind; if they desire to have our friendship and our goodwill.

“We have come to the end of the White Man’s world dominance. If he resigns himself to this historic evolution, he will save his world and the Asiatic’s world. If he resists, he will likely bring about the destruction of both.

We have come to the beginning of the White and Coloured Man’s joint world, when each shall have control in his own house and a proportionate say in the general convocation of humanity.

We are passing from the era of Empire by Conquest into era of Empire by Attraction, Service and Business that asks only a fair field and no favours.

We have come to the time when any prolonged attempt of any race or nation or class or sex to dominate another can only bring destruction to both.

It is let live and live.

It is tolerance or death.”

Sir, India demands Fair Play.

**Rai Bahadur S. C. Dutta:** Sir, I propose to discuss this Bill from a different angle of vision than that adopted by the previous speaker. We have to see whether, in this particular instance, a case has been made out for protection to the cotton textile industry. I propose to consider this question from the point of view of the masses. The raising of the cotton duties from 11 to 20 per cent. is imposing a very heavy burden upon the poor. Whether the object be revenue or protection, the consumers are taxed—there would be no protection if prices are not affected—and this is a tax upon one of the necessities of life. For the poor masses of India cloth is next to food, and I think I am not wrong in saying that, what taxation of food is in England, taxation of cloth is in India. The Honourable the Finance Member expects Rs. 125 lakhs as the combined effect of his proposals for a general increase of 4 per cent. for revenue and the additional 5 per cent discriminatory duty, allowing in full for the protective effect. It is explained in the Financial Memorandum that the whole

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of this income will come out of the increase of 4 per cent; and consequently non-British goods of foreign origin will be entirely excluded from the country. It therefore follows that the Indian taxpayer will have to pay higher prices for Indian goods which are not taxed. And if we assume that the expectation will be realised that the additional 5 per cent. on non-British goods will not affect the price of British goods of finer counts, it will come to this, that this protective measure will involve a heavy sacrifice upon the poorer community, who use coarse goods of Indian cotton and not upon the rich who use British goods of finer counts. But it is doubtful whether this expectation will be realised, for I find from the notes of the Honourable the Commerce Member, that Japanese goods do compete with British goods to some extent, and so far as higher duties are imposed upon such Japanese imports, this will tend to increase the price of the British goods of the same classes, or of classes that may be regarded as substitutes, unless it be that the price of British goods is already so high, on account of the high cost of production there, that even 20 per cent. on other goods cannot affect the same. So far as regards the effects of the protective proposals, so far as can be anticipated, on the consumers. The House should therefore be clearly satisfied as to the necessity for protection and its extent.

Sir, discriminating protection is the accepted policy of this House, and I am not going to challenge that now, but I do not know that the policy of protection to the textile industry has been accepted here and if so, with what justification.

As to the necessity for protection to this industry, what I ask is this. Is there any initial disadvantage that is to be removed? Is it the case that goods produced cannot be sold on account of competition? This again might be a justification for protection in some shape, suitable to the real difficulty of cheap production. But if there be other difficulties against mere expansion, there may not be sufficient justification for a protective tariff, and a protective tariff may not remove those difficulties. Then again, there may be other difficulties for particular industries, there may be improvident over-production; there may be financial losses on account of labour disputes and other causes. Some of them may deserve financial help in other shapes, to be paid for, but not at the expense of the general taxpayer. I suggest that, in suitable cases, there may be subventions granted without taxing the poor. At the same time, the Government and the Legislature should not be parties to the industrial struggles that are going on in the country by increasing the strength of one party for resistance.

Sir, the import duty on cotton goods was at first 4 per cent., and then it was raised to 7 per cent. Even in those days, these low rates of duty were considered so far protective, that countervailing excise duties were levied along with the same. Now the industry is enjoying a protective duty of 11 per cent., without any countervailing excise duties. Why is this not sufficient? Is organization defective? Is labour inefficient? Are such defects inherent to Indian conditions? Is an increase of duty to 20 per cent. really necessary? These are questions which should be answered by the Honourable Member in charge before the House can be called upon to give its assent to this measure.



Now, Sir, this Bill comes before the House with a definite proposal to give protection to the textile industry. As to the question of protection, the increase of 4 per cent. will surely have a protective effect, and will this not be sufficient for Bombay? I refer to Bombay, Sir, because Bombay has been specially mentioned, and I do not know if there has been a demand for protection from anywhere else. As the imposition of this additional tariff will bring no revenue and will be purely protective, I do not see why the Honourable Member should drag in this measure in the Budget Session, when our immediate duty is to balance expenditure by revenue. Now, Sir, if 11 per cent., which Bombay shares with other Indian industries, cannot give sufficient protection, and if the proposed additional 4 per cent. is not also expected to give sufficient protection, then what guarantee is there that this additional 5 per cent., the benefit of which India will share with England, will prove more effective and the lion's share of the benefit will not go to England. Sir, I am afraid that the benefit to the Indian industry out of this additional 5 per cent. will be very small and quite incommensurate with the loss to the consumers.

**Sir Cowasji Jehangir:** May I ask the Honourable Member to speak up, because we cannot hear anything on this side.

**Rai Bahadur S. C. Dutta:** Then, Sir, some remark is necessary here as to the effect of the discrimination in favour of British goods. I am not opposed to Imperial Preference in the abstract and may be prepared to support it, provided that it will be of benefit to the country; but, Sir, the present proposal, in my opinion, is premature and is also one-sided, and I am not prepared, and the country is not prepared, to show Imperial Preference, not by lowering an existing duty but by imposing a higher duty. Imperial Preference can be adopted as a bargain, but here there is no bargain. The suitable time for such a bargain would be when India had attained Dominion Status and this House consisted fully of the representatives of the people only. At the same time, I see that the British Government have not proposed Imperial Preference, and the Government of India also do not propose Imperial Preference. The Honourable Member justifies it on the ground that discrimination will not affect the protective measure and will not affect the consumers. If this be so, then there can be no objection to such discrimination. But the point is, is this so? The Honourable Member has explained in his note that there is no direct competition between British goods and Indian goods, but he has also shown the extent to which Indian goods have replaced British goods. Sir, to that extent, it is not correct to say that there is no competition, but that India, with the 11 per cent. duty, has so far beaten down that competition, and the competition would be as keen, if the situation in the Indian industry becomes worse, on account of internal conditions so that 11 per cent. would not suffice.

Now, Sir, it is admitted that the situation is worse, for otherwise there need not be this proposal, but it is hoped that a 15 per cent. all round duty will give sufficient protection to meet competition from England on account of changed conditions in India. Gentlemen from Bombay will be able to tell us whether this estimate is correct, but if this is correct, will not 15 per cent. suffice to meet the competition from other countries as well? Then even if there be no direct competition, we cannot forget indirect competition which may be real.

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Sir, these high duties on coarser goods may so enhance the price as to bring them to a near parity, I do not say, necessarily exact parity, with the comparatively lightly taxed British goods, so that the better quality of the British goods may easily dominate the preference of the consumers notwithstanding the slight difference in price. It may also be, Sir, that the competition of British goods is beaten down by Japanese competition, and when Japanese competition will be beaten down, the English competition may survive and may compete in the field against Japanese goods, so that English goods may oust the Japanese goods under the altered conditions. The Indian industry may not be worse by these proposals, but they may not be better either. Then why tax the poor? I do not minimise, even to the slightest extent, the value of making a gesture in response to the appeal made by His Majesty's Government and I do not know whether the proposal is not more valued as such gesture than as a protective measure. Even then, what is the demand made upon us? Should it be anything more than this that there should be mutual goodwill on both sides? Here India is called upon to perform something, even before goodwill, not from the Government, but from the people of Great Britain, can be guaranteed. Sir, it is equally necessary for the people of Great Britain to seek the goodwill of the people of India. For Empire federation with India as a Dominion cannot be secured, and cannot be promoted with any advantage, and cannot be pursued for long as an ideal to be attained by continuous endeavour on all sides, unless both parties see that the ideal is advantageous for all and the best for all. If the Honourable Member really thought that the Bombay industry would be really destroyed, unless there was an all round protective tariff, and if he proposed such a tariff, there is no reason why this should be regarded as evidence of want of goodwill on the part of the people of India.

I now wish to add a few words with reference to the principle of protection for three years for Indian yarns. I agree with what Mr. Das said, but at the same time I think that a case for extending it for another three years has not been made out. The original reason why the measure was passed was on account of the severe competition with Japan, which employed female labour below a certain age. It is admitted that these reasons have been removed from Japan. Similar conditions have arisen in China. It is also explained that there has been recent legislation in China to remove these undesirable elements in labour conditions. But owing to the unsettled conditions in China, the legislation has not been given effect to and there is apprehension that these undesirable elements will continue. But so far as I can see, there is this advantage that with unsettled conditions, China will not be able to compete with India. With these few observations, I close by remarks.

**Pandit Madan Mohan Malaviya:** Sir, during the general discussion on the Budget I put forward a few considerations which this House will have to weigh in dealing with the question which is involved in the proposal now made by the Government. I wish to add a few remarks so that the position may be made clearer. I think, Sir, I voice the sense of nearly all the elected Members of this House sitting on this side, when I say that we are opposed to the principle of Imperial Preference, and therefore opposed to that form of it which is involved in the proposals of

Government. I have already drawn attention to the conditions which are essential before a proposal for preference to any goods of any country could be accepted by this Legislature. Both the majority of the members of the Indian Fiscal Commission and the minority agreed in laying down certain principles. Among these, they took care to say first that a policy of Imperial Preference could only be adopted with the free consent of the Legislature. They also pointed out that such a policy could only be adopted after an examination of the question by the Tariff Board, an examination, the object of which should be to find out whether there were any commodities on which preference might be given in accordance with the principles which they had laid down to the benefit of the Empire and without detriment to Indian interests. I am glad that, in the cablegram which the Government of India sent to His Majesty's Government they laid emphasis on this point. They concluded by saying:

"We desire also to make it clear that in a matter of this kind, after frankly stating our case, we should desire to solicit the most free expression of opinion from the Legislature with whom the final decision must rest."

I hope these references are sufficient to make it clear to the House that the responsibility for accepting or rejecting a proposal like this rests entirely with the Legislature. I am glad, Sir, and thankful to the Government of India, that this was brought to the notice of His Majesty's Government. It is unfortunate, however, that, in the speech of the Honourable the Finance Member, the point was not made equally clear. He said, in his speech, "Let me make it clear at the outset that the fiscal autonomy convention is a reality, and that decisions on matters of this kind are left to the Government of India". This is not accurate. The Honourable Member should have said "to the Government of India acting in agreement with the Legislature". I do not suggest that he omitted the words "acting in agreement with the Legislature" by design. But I wish those words were there to leave no room for doubt that that is the convention to which he referred. In another place, in the concluding part of paragraph 51, the Honourable the Finance Member said:

"Finally, we made it clear that, in a matter of this kind, after frankly stating our conclusions, we should desire to put our carefully considered views before the Legislative Assembly with whom the final decision must rest."

Here also unfortunately the words which were used in the cablegram of the Government of India, namely, "after frankly stating our case we should desire to elicit *the most free expression of opinion from the Legislature*", were omitted. But I am grateful to the Government for having laid the correspondence on the table, so that attention has been drawn to those important words. But, Sir, the Government of India have laid before us only a portion of the correspondence which passed between them and the Secretary of State as representing His Majesty's Government. As I suggested this morning, I wish the Government had also laid before us the letter which they sent to the Secretary of State for his approval of their original proposals of taxation. That would have helped the discussion better, but even so, I am thankful that the Honourable the Commerce Member did say, in answer to my questions, that the original proposals which the Government of India submitted to the Secretary of State were a general increase of 4 per cent. duty

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for revenue purposes, that is, from 11 to 15 per cent., and an additional protective duty of 8½ annas per pound on all plain grey goods.

**The Honourable Sir George Rainy:** I modified the statement by the qualification which I made, in answer to the Honourable Member's question, namely, that a final decision had at this stage not yet been taken.

**Pandit Madan Mohan Malaviya:** Thank you. I am not suggesting it had been taken. I only said that the original proposals which the Government of India submitted to His Majesty's Secretary of State were an increase of 4 per cent. duty on all cotton piece-goods for revenue purposes, and a protective duty of 8½ annas per pound on all plain grey goods. That is all they said when they submitted their proposals to the Secretary of State.

Now, Sir, those proposals did not involve any question of a preference to the goods of any country. They applied equally to all plain grey goods. I believe I am right in saying that. Therefore, it is clear that the original proposals of the Government of India were of uniform application to all imports of cotton piece-goods. When His Majesty's Government sent the message, which they did in reply to the Government of India, they had before them only these two proposals, namely, a general increase in the revenue duty of 4 per cent. *i.e.*, from 11 to 15 per cent. and a protective duty of 8½ annas per pound on all plain grey goods. To these proposals of the Government of India, His Majesty's Government replied in a very courteous manner which I wish to acknowledge again. They felt a hesitation in making a suggestion to the Government of India in this connection because they recognised that, in the matter of fiscal autonomy, the Fiscal Autonomy Convention applied to India also. But they came to the conclusion that it would not be inconsistent with the procedure governing now the well recognised Fiscal Autonomy Convention to make, at this stage, the following representation to the Government of India. That representation was, firstly, the probability that such an addition to duty, namely, 4 per cent. for revenue purposes and 8½ annas per pound as a protective duty, would be likely to raise the prices of goods in India itself, to the great detriment of the poorer classes generally in this country. That was their first concern, and we must be grateful to them for this solicitude for the poorer classes of this country. The second point they urged was:

"The probability that such an addition to duty would have a disastrous effect in England at this moment, an effect which His Majesty's Government felt sure you and your Legislature do not desire to create."

I think I can say, on behalf of Members of this Assembly on this side, that we are most unwilling—it is unthinkable—that we should desire to create any disastrous effect at this moment or at any time on the Lancashire trade. We have no unfriendly intentions against the trade of Lancashire; we wish it all prosperity, but we also wish that that prosperity should be obtained by fair means and without detriment to the interests of the people of this country. Then, Sir, the cablegram went on to say:

"From both points of view Cabinet views with grave apprehension proposed addition to duty and hopes that full weight will be given to above considerations."

This was all that the Cabinet said. They felt the gravest apprehension regarding the effect of the proposed addition of 4 per cent. to the general duty and 3½ annas per pound against all plain grey goods. It is important to note that there was no suggestion from the Cabinet that a 5 per cent. protective duty should be put on Japanese or rather non-British goods, or that any exemption should be made in favour of British goods. There is no such suggestion in this correspondence from the Cabinet. In this connection I wish to say that I regret that, not having the correspondence before me, I used a word in the debate the other day which I should not have used. I said then that the proposal which had come from the Cabinet was more insidious than it would have been if it had come from the Secretary of State. My Honourable friend Sir George Schuster objected to the use of that word and I bowed to him for that correction. I did not mean to insinuate that the Cabinet had used any insidious means. What I meant to say was that the pressure became more irresistible when it came from the Cabinet than it would have been if it came from the Secretary of State. But I am sorry I used a wrong word.

From the facts that are now before us, it is clear that the proposal for giving preference to the United Kingdom goods has not come from the Cabinet. That proposal had been put forward, as I understand it, by the Government of India after it had received the cablegram to which I have drawn attention. Now, I must acknowledge with gratitude the attitude which the Government of India took up in the first stage of these proposals. When His Majesty's Government drew attention to the points which I have just now laid before the House, the reply of the Government of India was admirable and deserving of commendation and congratulation from us. They said:

"Please see your telegram of the 8th instant. I have discussed with my Council the Cabinet representation and we are deeply impressed by a message of this nature. Nevertheless we feel bound to adhere to our main proposals."

The proposals being 4 per cent. increase for revenue purposes and 3½ annas per pound against all plain grey goods. I hope I am quite right in saying that.

**The Honourable Sir George Rainy:** I do not think there is any misunderstanding between us. The proposals were that 15 per cent. should be the duty on all goods and 3½ annas on plain grey goods. The main proposal was the raising of the duty to 15 per cent.

**Pandit Madan Mohan Malaviya:** So your main proposal was the raising of the duty to 15 per cent. on all cotton goods and 3½ annas minimum on all plain grey goods.

**The Honourable Sir George Rainy:** The only point which I wished to correct of my Honourable friend is this. The main proposal is the increase of revenue duty from 11 to 15 per cent. and the subsidiary one of 3½ annas on plain grey goods.

**Pandit Madan Mohan Malaviya:** I would particularly draw the attention of my Honourable friend to the use of the plural, "the main proposals" and that is why I thought that the two proposals were included in the words used.

**The Honourable Sir George Rainy:** To that, I say, yes.

**Pandit Madan Mohan Malaviya:** In reply to the cablegram, His Excellency said:

"It must be remembered first that we want revenue; secondly that customs is our chief source; thirdly that the general revenue tariff stands at 15 per cent. while the duty on cotton piece-goods is only 11 per cent.; fourthly that the Indian industry is suffering from deep depression and that as regards Bombay the mills are approaching a desperate position which may affect the whole future of this important centre of Indian commerce and finance. Moreover in a year like the present one, when we have to impose heavy new taxation we could not for revenue purposes leave the cotton duties alone. As regards raising the cost to the consumer we believe that in those goods where external competition is chiefly felt, namely in plain grey shirtings and light sheetings, and cheaper coloured goods, internal competition will in any case keep the prices down. As regards bleached goods and finer qualities of grey and coloured goods which Lancashire mainly supplies a four per cent. increase in the price cannot be represented as a crushing burden."

So far as this particular part is concerned, we must all feel grateful to the Government of India for the very excellent manner in which they described our position and put our case.

Coming to the second point, viz., the danger to British interests, the cablegram continued:

"We recognise that the possible decline," (note the word "possible") "we recognise that the possible decline in consumption of Lancashire goods may be a serious matter but we are clearly bound to put India's interests first. We also recognise how important it is to India not to antagonise British opinion, and quite apart from this, we are, of course, concerned at this time to avoid unnecessary injury to British interests."

I think this is also a sentiment which we all gladly endorse.

"We have carefully considered what we could do in this respect and while we cannot modify the general application of the 15 per cent. revenue duty, we are prepared to propose to the Assembly that, as regards any additional and temporary protective measures, their application might be limited to non-British goods and that in these circumstances there should be imposed, in addition to the 15 per cent. revenue duty, a five per cent. protective duty with a minimum of 3½ annas per pound on plain grey goods against all cotton piece-goods from outside the United Kingdom."

Well, here is this new proposal introduced. I have not the slightest doubt, and we do not wish to suggest that the Government of India did not introduce this proposal with the conviction that it would be in the best interests of India to adopt it. But we have now to examine what its effect is and whether there is any justification for asking the Assembly to adopt it. The cablegram continued:

"We should propose the protective duty for three years only and undertake to have its effects examined by the Tariff Board before the end of this period."

The Fiscal Commission has recommended that an inquiry by the Tariff Board should precede the adoption of Imperial Preference. The Government propose to have it made three years after adopting it, and they have given no reason for it. The Government of India then went on to say how they would bring this proposal before the Legislature, and rightly said to the Cabinet that they recognised the importance of the message from the Cabinet and that they would point out to the Assembly "that at a critical juncture when much may depend on India's response to the British Government's appeal" such a proposal should be favourably considered. The Government tried to offer a justification for the exceptional course they had decided to follow. They said:

"We shall have to make it plain to the Assembly that while there are grounds for treating plain grey goods exceptionally, we could not in any circumstances agree at the present stage and for emergency purpose which we have in view to the additional protective duty of five per cent. on all classes of piece-goods irrespective of the country of origin."

But they did not say and have not yet said what those grounds are for increasing the measure of protection which they originally proposed and I submit, Sir, that the proposal of a 5 per cent. additional duty, with a minimum of 3½ annas per pound on plain grey goods, on all cotton piece-goods of non-British origin was introduced clearly to help the Lancashire interests. The reading of the correspondence and the answers given do not leave any room for doubt, nor has the Honourable the Finance Member concealed it in the statement which he made in introducing the Budget. His contention is and has been throughout that this additional duty could be imposed in the manner proposed consistently with the interests of India. That is a point on which we join issue with the Honourable the Commerce Member and the Finance Member. I feel—and I think the House will share this feeling—that while the attitude of the Government as regards its first proposals was admirable and deserving of our gratitude it erred grievously in putting forward a proposal for an additional five per cent. protective duty with a minimum of 3½ annas per pound on plain grey goods, on all cotton goods from outside the United Kingdom. It was a very unfortunate proposal. It at once introduced the question of preference to the goods of the United Kingdom, which it would have been wise and proper on the part of the Government of India to avoid at any time and particularly at this juncture. It would have been the part of wisdom to avoid introducing such a question into this Legislature until it became a legislature fully elected and consisting of men who were not likely to be influenced in the decision of an important question like that, by the forty solid votes which sit on the Government Benches. It would have been but fair if they had not put forward this proposal at a time when, owing to the position the Government occupy, the position of strong power and patronage, votes in this House are sure to be affected by the views which they put forward, and a free vote of the Assembly cannot be obtained. I submit, Sir, that for these reasons the Government should yet reconsider its proposals. The object of the Government of India was—and that is the object, I believe I can take it of every Honourable Member of the Assembly—that the cotton industry of Bombay should receive all the protection that it deserves. It has long been a matter of complaint on this side of the House that the Government of India have not done their duty by the cotton trade of this country. The cotton trade of India has grown despite the handicaps to which the Government of India have subjected it for a long time in the past. It has grown in spite of the long and lasting cotton excise duty, which was condemned by every fair-minded Englishman as an iniquitous duty. It has flourished in spite of the other handicaps to which it has been subjected, among them being that outrageous enactment of the 1s. 6d. ratio. It was exposed to the attacks of Japan and of other countries because by that enactment a present of 12½ per cent. bonus was made to all competitors from outside. Bombay's suffering has been a prolonged one, but that suffering has become most intense and acute during the period which has followed the enactment of the 1s. 6d. rupee. Sir, the Tariff Board recommended, three years ago, that the Government of India should raise the import duty on cotton goods from 11 per cent. to 15 per cent. If that proposal had been accepted and put into effect by the Government of India three years ago, I venture to suggest, Sir, that the Bombay cotton industry would not have been in the most deplorable and perilous position in which it is found to be today. Why did not the Government of India take action in time? However we are glad that the Government of India have decided to take action now. We are grateful that they decided to raise the general

[Pandit Madan Mohan Malaviya.]

revenue duty to 15 per cent. and to put on an additional duty of 3½ annas per pound on all plain grey goods as a protective duty. And we ask them to stand by these proposals at the very least. But in order that there should be no cause for complaint of discrimination or preferential treatment from any outsider or from our own people, I ask the Government of India to reconsider their proposals further. In the first instance, Sir, I ask the Government to drop the proposal of putting a five per cent. protective duty on Japanese goods, or to be more accurate, goods from outside the United Kingdom. We have no quarrel with the Japanese or with any other country. Our country is open generally to free trade and commerce, and I do not see any justification for discriminating legislation against one important country, particularly when it is put before the House in such a form and under such circumstances that it is obvious that it is being recommended because it will benefit British interests. (Hear, hear.)

I submit, Sir, that Government should withdraw that proposal and I hope, Sir, that in the further discussion on the Bill in this House, it will be possible for Government to arrive, in agreement with this Assembly, at a proposal,—with some little modification of their original proposals—which will secure to Bombay all that it wants and deserves, and which will, at the same time, not expose this Assembly to the charge of having accepted Imperial Preference in the form in which it has been presented. If the Government of India will make up their minds to drop the second proposal that they put forward after receipt of the message of His Majesty's Government, the path of agreement will be clear. His Majesty's Government did not suggest that new proposal. The Government of India themselves put it forward. It is regrettable that they did so. The Government of India should have remembered that, according to the report of the Joint Select Committee of the Houses of Parliament and the Report of the Fiscal Commission, a question of Imperial Preference could only be decided by the Government of India with the consent of the Legislature. The Joint Select Committee said, in the passage to which I invited attention the other day :

“Whatever be the right fiscal policy for India for the needs of her consumers as well as for her manufacturers, it is quite clear that she should have the same liberty to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa. In the opinion of the Committee, therefore, the Secretary of State should, as far as possible, avoid interference on this subject when the Government of India and its Legislatures are in agreement.”

The Government of India should also have remembered what the Fiscal Commission also had said, that it could only be with the free consent of the Legislature that any preference could be given to any country. The action of the Government of India in having decided, without consulting this Assembly, to put forward this proposal, has placed us in a very awkward position. We cannot forget the fact that India is a dependency of Great Britain today; it grieves me to think it is so. We desire that it should cease to be a dependency as early as possible and should take its own place of honour among the nations of the world. But we have not come to that yet, and at this juncture when the question of this great constitutional change is shortly to come before the British Parliament and is before this country, when a very strong movement has been started in this



country for a complete severance of the connection of India with England, when this movement for Independence is daily gaining ground, this proposal of the Government of India for preference to British cotton goods is most inopportune and most unfortunate. It will furnish one very strong argument to those who desire complete independence for India. It will furnish a strong argument because it will be urged that, so long as the Government of Britain will have any voice in the administration of this country, the commercial and economic interests of England will receive undue consideration, and the commercial and economic interests of India will not receive due consideration. I think therefore, Sir, that it has been most unfortunate that this proposal has been put forward at this time, but I hope that it is still possible for the Government of India to reconsider their position, and I hope the Government of India will not follow the ordinary official practice in such matters of not budging an inch from the proposal, which they have once put forward before the Assembly. I hope they will recognise the wisdom of revising this decision and agreeing to adopt such a proposal as will secure the main object of protecting the Indian cotton industry and obtaining the revenue that is needed to carry on the administration, without introducing the question of preference to United Kingdom goods. One such proposal I have given notice of, and I hope that the Government and the House will duly consider it. I have already made it clear that this side of the House is—speaking generally—very strongly opposed to the introduction of any Imperial Preference in our tariff, at this stage of the country's history. When we are a free nation, having the same power and the same responsibility as Great Britain, Australia, New Zealand, Canada and South Africa have, it will be up to us to consider any proposals which might come from England and which might help England in an hour of difficulty, without inflicting an unnecessarily and unbearably high burden upon our own people. But we are not in that position today and therefore we should not be expected to adopt such a proposal. When the proposal comes enforced by an appeal or a representation by His Majesty's Government to us in this position, it places us in a very awkward position. But even placed as we are, I can ask Members on this side of the House to give the utmost consideration that they can to the appeal which has been made to us by His Majesty's Government, to give the utmost consideration which we can, without largely hurting the interests of our own people. I have already acknowledged the solicitude which His Majesty's Government have shown in this correspondence for the consumers and the poorer classes of this country. We want that the poorer classes of this country should not be exposed to unnecessary disadvantages and unnecessary burdens. We cannot therefore accept the proposal of a preference, which will expose us to the danger that the country which receives the preference will be able to secure for itself the market of India which will become available to it by non-preferred manufacturers being driven out, and thereby be in a position to raise the prices when it may find it convenient to do so and when we should have no power to stop or to check the import of its manufactures into this country. That is one great disadvantage which this proposal involves. But the greater objection to the proposal is that practically it means making a present of a bounty to the manufacturer of the country the goods of which are preferred. It also involves an unjustifiable discrimination against other countries. We cannot therefore agree to that proposal, but it may be possible for us to agree to a proposal which should be of uniform application which would not involve any preference to the goods of any country.

[Pandit Madan Mohan Malaviya.]

I have suggested such a proposal, and I draw the attention of the House to it, namely, that in section 156-A, which runs as follows :

“ Cotton piece-goods, not of British manufacture—

(a) plain grey, that is, not bleached or dyed in the piece, etc.	<i>Ad valorem</i>	20 per cent. or 3½ annas per pound, whichever is higher.
(b) others .. .. .	<i>Ad valorem</i>	20 per cent.”

The words “not of British manufacture”, etc., should be omitted, thereby making it applicable to all cotton piece-goods imported into this country; and that instead of 20 per cent. or 3½ annas per pound whichever is higher, we should substitute 15 per cent. or 3½ annas per pound which ever is higher.

Now, the great advantage of this suggestion is that it will be of uniform application to all cotton piece-goods imported into India irrespective of the country of their origin and yet the higher duty will not affect Lancashire goods because those goods are of higher counts. They will not come in under the operation of the 3½ annas per pound rate. They will have to pay only the general revenue duty of 15 per cent. Thereby they will receive the advantage of having practically a free market in India for higher count goods. We do not grudge that advantage to Lancashire. We offer it with open eyes. We recognise that Lancashire will derive benefit from it and we are not unwilling that, at this juncture it should. But in doing so we do not discriminate against any particular country nor do we show legislative preference to another. That is the great point of my amendment, and I submit, Sir, that is a proposal which should commend itself to the Government and to all parties in the House. I do not wish, at this stage, to take up more time. I commend this proposal to the House. (Applause.)

(Sardar Kartar Singh rose to speak.)

**Mr. President:** How many minutes does the Honourable Member wish to take?

**Sardar Kartar Singh** (East Punjab: Sikh): Fifteen minutes, Sir.

**Mr. President:** Take ten minutes.

**Sardar Kartar Singh:** All right, Sir. It is proposed by the Government to enhance the import duty on cotton piece-goods from 11 per cent. to 15 per cent. for revenue purposes and to introduce an additional levy of 5 per cent. protective duty, with a minimum of 3½ annas per pound on plain grey goods against all cotton piece-goods from outside the United Kingdom. The remedy suggested by the Government is worse than the malady. On account of the short-sighted policy of the Government in fixing the ratio at 1s. 6d. to the rupee, the purchasing capacity of the bulk of the population of India has decreased. On account of this high rate of exchange, the zamindars, the producers of cotton and wheat, as well as the millowners of Bombay, have suffered a considerable loss. They have been getting 12½ per cent. less for raw cotton and other commodities which they exported to foreign countries. The price of cotton and wheat has gone down, and Japan being the chief purchaser of cotton from India is, by the help of this high rate of exchange, able to purchase Indian cotton at a reduced price. Thus

the zamindars are not getting a good return for their produce and thus their purchasing capacity is considerably affected. Ever since the fixation of this high ratio, the people of India in general and the millowners of Bombay in particular have been crying themselves hoarse and requesting the Government to alter this ratio. But up till now the Government have turned a deaf ear to their cries, with the result that Japan, which is a chief purchaser of Indian cotton, and which, on account of this high rate of exchange, has been purchasing cotton at an extremely low price, has been able to capture the cotton piece-goods market in India. Japan gets an advantage of 12½ per cent. on all the cotton piece-goods that are imported into India. The result is that, even mighty England cannot compete with Japan. What is the good of imposing a 15 per cent. import duty when you give them relief of 12½ per cent. on account of the high rate of exchange? In spite of all the losses that the Indian zamindars and the millowners have suffered on account of the high rate of exchange, the Government have not made up their mind to alter the ratio. In a note by the Honourable the Commerce Member regarding the proposed duties on cotton piece-goods, it is stated by him that, since the excise duty was abolished, the Indian industry has received the full benefit of the 11 per cent. revenue duty. I do not agree with him. Whatever advantage the cotton industry must have gained on account of the 11 per cent. revenue duty, it lost on account of the high rate of exchange. The millowners have been drawing the attention of the Government to this state of affairs for the last three years. Now, the Government have awakened from their sleep, and Sir George Rainy has stated that the object in view at the moment is not the development of the Indian mill industry but its preservation. He has further stated, in his note, that the continued existence of a large number of the mills in Bombay island is threatened and it is only because the danger is so acute that the Government have felt justified in proposing a measure, which involves a departure from their ordinary fiscal policy.

Sir, the Bombay millowners are vocal, and they have made their voice heard and the Government is thinking of giving them some relief to keep their body and soul together. What about the cotton growers and the zamindars who, along with the millowners, have considerably suffered on account of the fall of prices brought about by the artificial exchange rate? Have they not become poorer and poorer day by day? Do not the Government care for 80 per cent. of the population? Do not they deserve to be kept alive? When they have suffered equally, or even more than the millowners, why should not the Government grant them as well as the millowners a relief by having resort to gold currency or fixing the ratio at 1s. 4d. per rupee? Well, Sir, the Government, by their short-sighted policy in the matter of exchange, have reduced the purchasing power of the zamindars, who are 80 per cent. of the whole population; and now let us see upon whom would this newly proposed tax fall. This tax would naturally fall upon the consumers; and who are the consumers? The consumers of coarse cotton piece-goods are again zamindars and not the rich people. The purchasing power of the zamindars having already decreased, this further taxation would break their back and they would not be able to bear this burden. Do the Government want that the people of India should not put on clothes and go naked? How long will you go on taxing the people? The Indians are suffering a loss of 40 crores of rupees every year on account of the high rate of exchange. Why do you not grant relief to all alike by reducing this rate of exchange and bringing it down to 1s. 4d. per rupee?

[Sardar Kartar Singh.]

We are asked, Sir, to levy a 20 per cent. duty on Japanese cotton piece-goods and on goods manufactured elsewhere than in the United Kingdom, i.e., the Government ask us to agree to the principle of Imperial Preference. Do you want us to give preference to your goods, because you have enslaved India? If we ask you to give us Dominion Status, you at once say, "Oh, you are not fit for it; be not impatient and wait, we will do everything for you". Yesterday, in answer to a question, it was admitted by Mr. Howell that Indians were not eligible for diplomatic service. Indians are treated as slaves everywhere in the Dominions, as well as in the United Kingdom. What has the United Kingdom done for India that they want preferential treatment? India, no doubt, is a market of the United Kingdom, and you want to keep it as a market for ever; but we are poor, we cannot afford to pay you more when we can buy cheap elsewhere. Take into account the fact that the average income of an Indian is less than 2 annas a day. That being so, can you expect that we will be able to bear the burden of preferential treatment? You do not give us any preferential treatment, and how can you expect that we will agree to give you preferential treatment? The object of the Government being to give an impetus to Lancashire cotton piece-goods would never be secured by this imposition of 20 per cent. duty as proposed. Japan will give bounties to its manufacturers for three years and would hold its head up against Lancashire. Japan cannot afford to, and will not leave the Indian market, and the object of the Government of preserving the Indian mill industry would never be secured, nor would the United Kingdom gain any advantage by the preferential treatment. We know, Sir, the Government want to provide work to their men at Home; we know, Sir, they want to remove the unemployment there. What about the unemployment here? A very large number of Indians are unemployed and those, who are employed, do not get enough to live upon. Sir, we would never agree that, for the sake of giving employment to the people of the United Kingdom, their goods should be given preference. Preference could be mutual only and not one-sided.

There is another point, Sir, which I want to urge before this House, and that is that, if we agree to this preferential treatment, Japan being the chief purchaser of our cotton would either refuse to purchase cotton from India, or would purchase it at a very reduced price, and whatever it is charged in the form of additional import duty, it would make up by purchasing raw cotton at a reduced price. If Japan were to refuse to purchase cotton from India, the price of cotton would at once go down much lower and the zamindars would give up growing cotton, or even if Japan would go on purchasing cotton, Japan being the chief purchaser would fix and give a very low price. And in that case also the Indian cotton grower would suffer.

Let the Government of India think of the best interests of poor India. The Government don't want to develop Indian industries; that they have candidly admitted; they simply want to preserve Indian industries. So no good will be secured by imposing any extra duty. Sir, if the Government want to develop the Indian mill industry, let the Government stop the import of any foreign cloth. Let us wear *khaddar*, or any coarse cloth which we can manufacture here. You will see, Sir, that, in that way, India will become self-sufficient and we would produce as much cloth as is required for the needs of the population of India. The Government are

talking of preserving the Indian mill industry at the expense of poor consumers the majority of whom are poor zamindars. The real object of the Government is to help the Lancashire cotton industry and not the Indian mill industry. We cannot afford to purchase cloth from England, we are too poor. England has not been able to compete with Japan because the labour in Japan is cheaper than in England. Let England make her labourers more efficient and let them charge less wages so that the British cotton piece-goods may capture the Indian market. Because labour in Japan is cheap and efficient, and because they have benefited on account of the short-sighted policy of the Government in the matter of exchange, they have succeeded in securing the Indian market. If a duty is to be imposed, then let a 20 per cent. duty be imposed on all imported piece-goods, which would lead to the rapid development of the Indian industry. Why have the Government selected cotton piece-goods alone, and left other piece-goods? Is it because cotton piece-goods are purchased by the poorer classes and silk and other superior goods by rich classes?

The Government are proposing protection for a strictly limited period with a strictly limited objective. But that objective would never be secured. Japan would not allow itself to be ousted from the Indian market, and the taxation would fall the heaviest on the poor peasants.

One good may come out of it, and that is this, that the people might begin to wear *khaddar*, and if that happens, the objective of the Government in the preservation of the mill industry would not be attained. With these remarks, Sir, I oppose this motion.

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

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

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**The Honourable Sir George Schuster** (Finance Member): Sir, I wish to intervene in the debate at this stage to make one point and one point only. I wish to say something in answer to what was said by the Honourable the Leader of the Opposition with regard to the history of how we came to put forward our proposals. Sir, before I turn to that, I should like to express a word of thanks to the Honourable Pandit for the friendliness of spirit which he has shown in his speech, and for the moderation of his tone in speaking of a subject on which I know he feels very deeply. I feel sure that his speech has helped towards the conduct of this debate in the spirit in which I know the majority of Members would wish to see it conducted.

The Honourable the Leader of the Opposition has put us, in a sense, in an embarrassing position, because he has sought to go back and examine what I may describe as the birth-processes of this proposal. Obviously, it is very difficult for us to explain exactly to the House all that has taken place in those early stages of discussion, when one is tossing up ideas for consideration, and matters are discussed in confidential conversations and confidential correspondence. I should indeed be very pleased if we could

[Sir George Schuster.]

reveal to the House exactly what has taken place, and I wish myself that the Honourable Pandit had been the keeper of my conscience throughout, because I have never spoken a word or had a thought on this matter which I should have been ashamed of his knowing. We have all thought throughout of the interests of India, though in my own ideas on this subject, I freely acknowledge that I have included a desire nothing should be done to antagonise opinion in England or to weaken England's power to befriend India in the world.

Now, Sir, there have always been two sides of the matter which we have had to consider. There has been the revenue side, and there has been the question of special protective measures. As regards revenue, as I have said in my budget speech, the case has been comparatively simple, and we came fairly early, in our consideration of this matter, to the conclusion that as revenue was needed this year, we could not put up proposals which did not include a proposal for raising the import duty on cotton piece-goods from its special rate of 11 per cent. to the general rate of the general revenue tariff of 15 per cent. We felt that, whatever interests were involved, we could not come before this House when we were asking for new taxation and not propose this change. That has always been a clear feature of our plan, and it is what we have referred to or at least what we had in mind, when we spoke about our main proposals. The question of the special protective measures raised much more difficult issues. We recognised, of course, that to raise the general revenue duty from 11 to 15 per cent. would have a very substantial protective effect, and I trust that that aspect of our proposals will not be lost sight of, because it is in a sense still the main framework of what we are putting forward. But we did feel that, in the case of certain lines of business, it would not be enough, and, in considering what more than this was necessary, we have always been up against this difficulty. We were seeking for some method of discrimination which would enable us to give an effective measure of protection, where protection was needed, without putting too heavy a burden on the consumer over the whole range of cotton piece-goods. That was at the bottom of our intention when we first made an inquiry into the possibility of substituting specific duties for the present general *ad valorem* duty. That led to the initiation of the inquiry carried out by Mr. Hardy. Honourable Members all know that that line of advance was found to be a *cul de sac*—it led nowhere. So we had to give up that proposal, and to consider something else. There was one pretty clear line, and that was that, so far as plain grey goods were concerned, we could discriminate without any particular difficulty. So that we were able to eliminate that as one fairly easy feature to be dealt with; and it is quite true that, in our original proposals, a special plan for dealing with plain grey goods was included. But before we came to that, we had turned over many other things, and, when we did come to that, that was never settled as our final plan. I do not want to dispute the correctness of what the Honourable Pandit said, for it is true in a sense to say that our original proposal did include a proposal for 8½ annas a pound minimum duty on all plain grey goods, but to say that alone is not to tell the whole of the story. Let me try to make clear what I mean. When we were in the early stages of considering what special protective measures we should introduce,—and I am now trying to inform the House exactly what has passed through our minds

--we did very definitely consider something on the lines of the proposal which we are now putting forward, because when we came to examine the position in a practical way and to consider how we could effect the discrimination which we were seeking for, we found that, in actual fact, a distinction between British goods and non-British goods did fit in very nearly with the needs of the situation. Now—again trying to be perfectly frank with the House—I will say that, in our preliminary discussions on this matter, we, I may say, rather “shied off” this proposal, not because we did not think it was the right thing, but because we were influenced just then by the very considerations which the Honourable Pandit has mentioned in his speech. We felt, that, at the present stage, it might be liable to political misunderstanding. Therefore we gave up that plan and we tried to devise another method, and, as I say, we came to this idea of 3½ annas a pound minimum on plain grey goods. But we felt, all the time, that that perhaps was not sufficient, and it was at this stage that we were addressed in the way which has already been made public to this House by His Majesty’s Government. Well, Sir, it is quite obvious, and I have made it perfectly plain throughout my own original explanation of the position, that the fact that we were so addressed by His Majesty’s Government had a very considerable influence on us and it influenced us in this direction; it made us think: “Here is something which raises considerations which we cannot ignore, and perhaps, after all, it will be best to go back to our own original plan, to the course of action which we always wanted to take, and to put the position frankly before the House, risk the political misunderstanding to which I have referred, and put before the House what we ourselves in our own hearts feel to be the best measure for meeting the needs of the situation”.

From that onwards I need say no more because the history is clear and has already been fully explained to the House. There is the position. We had, on the one side, reached the tentative conclusion that on the 15 per cent. revenue duty, we should at least, as part of our scheme, put on 3½ annas per pound all round on plain grey goods; on the other side, we had the plan which we have now put before this House, a plan which we feel goes much further to meet the needs of the situation and much more nearly satisfy those needs than any other plan that we can think of. There, Sir, is the case. And it is now for this Assembly to decide whether the plan which we have put forward does effectively meet the needs of the situation and would be better, from the point of view of the interests which we are trying to further, than a mere 15 per cent. revenue duty with 3½ annas a pound on plain grey goods. That is a straightforward issue on which we wish to have the views of this House. Sir, on that point I have no more to say, but as I have intervened at this stage, I do wish to touch just on one other point.

It has been said in the course of the general discussion on the Budget, and again it was referred to in this debate, that no British Dominion has yet accepted the principle of Imperial Preference. I do not know precisely what is meant by that. If it simply means this, that no British Dominion has accepted the principle in the sense that its Government would apply that principle regardless of the interests of the Dominions, that of course is a very clear proposition. But in practice all the Dominions have introduced systems of tariffs which do give very substantial preference to British goods. Australia has a British preferential

[Sir George Schuster.]

tariff applicable to Great Britain and the self-governing British Dominions willing to reciprocate. It has, besides that, a general tariff applicable to all countries and an intermediate tariff held in reserve for the purposes of negotiations for trade reciprocity. The difference between the general and the preferential tariff is 15 per cent. Canada, again, has a British preferential tariff applicable to the United Kingdom and certain British countries, including India. It has an intermediate tariff applicable to Belgium and certain other foreign countries, and it has a general tariff. The preference varies between 10 and 7½ per cent. New Zealand has a British preferential tariff applicable to any part of the British Dominions, Protectorates, etc., and a general tariff—the preference is 15 per cent., British piece-goods being admitted free. South Africa has minimum and maximum tariffs. The details are rather complicated, and I need not explain them in detail, but again the tariff includes the principle of preference to British goods. Those are the facts of the situation, so that what we are proposing is in no way different, and contains no feature which could be said to differ from anything which has been accepted by the self-governing Dominions. But I wish again to make this clear, as was made clear in my budget speech, that we could not think of asking this House, at this stage, to accept the principle of Imperial Preference. All that we are doing is to put before the House a proposition and to say, "Here is a proposal for new tariffs which we admit includes a principle of differentiation. We believe that the principle of differentiation which we have adopted enables us to go more nearly to meet the needs of the situation than any other principle of differentiation which is practicable".

And that, Sir, brings me back to the point which I made before. Here is a proposition, which is a fair and square proposition. The whole of the facts are before this House, and we ask the House to decide now whether these proposals are in the interests of India.

**Mr. H. P. Mody:** Sir, the Bill before the House is a very belated but welcome recognition of the position in which the textile industry of India finds itself today. For years we had been urging upon the Government of India the necessity of protecting our manufactures against competition from other countries . . .

**Mr. A. H. Ghuznavi** (Dacca Division: Muhammadan Rural): Was it India as a whole or Bombay alone?

**Mr. H. P. Mody:** Bombay alone in the first instance, and India as a whole for the last three years. I will come to the differentiation which is sought to be made between Bombay and the rest of India presently. We could not, however, get the Government to take effective action, and all that they did after much correspondence and discussion was to appoint a Tariff Board. That Tariff Board, Sir, which was very ably presided over by my Honourable friend Sir Frank Noyce (Hear, hear.) recommended a 4 per cent. increase in the revenue duty.

I do not, Sir, at this stage propose to criticise either the Tariff Board's recommendations or the arguments which the Government of India employed in order to turn them down. My intention, Sir, is to place before the



House as dispassionately, briefly and clearly as I can, on an important subject of this character, a general survey of the whole situation. I was saying that the Government of India turned these proposals down, and I entirely agree with what fell from my Honourable friend, the Leader of the Opposition, this morning, that, had the Government of India, at that stage, come to the assistance of the Indian industry, the industry would not have found itself in the position in which it is at present.

**Mr. A. H. Ghuznavi:** I do not know if it is in such a bad plight.

**Mr. H. P. Mody:** There are lots of things which my Honourable friend Mr. Ghuznavi does not know, but on which I hope to enlighten him before I have done. While the Government of India, like the unchanging East, were plunged in thought, Japanese competition increased in fierceness and intensity. In five years the imports went up from 217 million yards to nearly 550 million yards, that is, a rise of well over 100 per cent. Now, Sir, I do not want to say anything about the various reasons which have contributed to the success with which Japan has penetrated our markets. . .

**Mr. A. H. Ghuznavi** (in a low tone): Do you make those goods in India?

**Mr. H. P. Mody:** Yes, we make most of them.

**Mr. A. H. Ghuznavi:** Can you show that from your books and records?

**Several Honourable Members:** Please speak up.

**Mr. H. P. Mody:** Japanese penetration, as I have said, was very successful and was largely helped by the direct and indirect assistance which the State, pursuing a national policy, gave the Japanese manufacturers, and also by the fact that exchange was largely in favour of Japan for many years, and because of unfair labour conditions. However that may be, in the result, we had Japan pushing her goods at an alarming rate into our markets. My Honourable friend the Commerce Member said today that a material change in Japanese labour conditions has taken place through the adherence of Japan to the Washington Conventions. All that I want to say about that matter is, that if Japan adhered strictly to the Washington Conventions, which India was one of the first countries in the world to adopt, Japan would find it impossible to work two shifts. I am not concerned with whether conditions in Japan are better or worse than they are here, and whether Japan works 8½ hours as against our 10. The only consideration I would like to submit to this House is that, if Japan adhered strictly to the Washington Conventions, she would not find it possible to work two shifts, which give her such a considerable advantage over her competitors.

**Diwan Chaman Lall** (West Punjab: Non-Muhammadan): Does the Honourable Member mean that Japan does not adhere strictly to the Washington Convention?

**Mr. H. P. Mody:** If my Honourable friend had read the precise terms of the Washington Conventions he would have known that, under those Conventions it is impossible for any country to employ women and children for a stated period of 11 hours, in which the hours of 10 p. m. to 5 a. m. must be included in all cases. Japan has not adhered to that, and I submit,

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Sir, that if she did, she would not find it possible to work two shifts of 8½ hours each. I am not putting this forward in any argumentative sense. I am merely stating the facts of the situation. I say that, as a result of this fierce competition, which we have experienced from Japan, the textile industry throughout the country, and more particularly in Bombay, has suffered enormous losses. In the last five years, we in Bombay have lost nothing less than 10 crores of rupees. Now, Sir, there are various reasons for the losses we have incurred, due not merely to the extent of the competition which we have experienced from Japan but also the prices at which Japanese goods have been marketed. Anyway the result is there, that in a period of five years, the Bombay industry has lost over 10 crores of rupees.

**Pandit Nilakantha Das:** Will the Honourable Member enlighten the House in what way this amount has been lost?

**Mr. H. P. Mody:** I have thought and spoken on this subject so much, that if I were to answer every query and if I were to allow myself to be drawn into a detailed argument with every speaker, I am afraid I would be trespassing very greatly upon the patience of the House.

**Mr. President:** In that case, the Honourable Member need not give way.

**Mr. H. P. Mody:** Now, Sir, I should like to give the House an idea of what this loss means, and on whose shoulders it has fallen. In the last three years nine mills have been reconstructed and have reduced their capital. They have reduced their capital from 7 crores 45 lakhs to 2 crores and 82 lakhs. In the same period ten mills have gone into liquidation, involving a loss to the investing public of 1.14 crores. These are the losses which the public has directly suffered, apart from the depreciation of share values and innumerable other items which go to make up the loss which all Bombay practically has suffered during the last few years. Something has been said about the Managing Agents by my Honourable friend, Mr. Das, and by other people. I will not allow myself to be drawn into a detailed discussion of that, but I would like to say that the much abused Managing Agents have borne their full share of the losses which have been inflicted upon the industry. In the last three years, the Agents in Bombay have given up 18 lakhs of rupees by way of commission. In the same period, they have lost 85 lakhs of their capital in the concerns in which they had invested it. On the top of that, Sir, two crores of the Managing Agents' own money, lent to the concerns of which they are the agents, has had to be converted into capital, that is to say, to the extent of two crores. The Managing Agents have accepted a lesser security than the security which the mills offer. Besides, vast sums of money have had to be lent to their concerns by the Managing Agents at bank rate, or even less than the bank rate. In some cases even the interest has had to be given up.

Now, Sir, a great deal has been said in the last few years about the way in which the people in Bombay have managed the industry, and it has been urged that while we have been wailing about foreign competition, we have done nothing in the way of reconstruction. All that I can say is that, in the last few months, we have supplied ample information to the Government of India, and to various other people, showing what exactly has been

done by the industry. It is not possible for me to repeat all that, but I would just like to say that, in a period of unusual difficulty, we have spent not less than 75 lakhs of rupees in Bombay in the matter of new equipment. We have reconstructed our industry, we have reduced capital. We have had to take mills into liquidation, because we did not like them to be a burden on the industry, and in the matter of efficiency in our internal organisation we have done everything conceivable to set matters right. It might be urged that there must be something radically wrong with the Bombay industry that in spite of all this, we have incurred these enormous losses to which I have referred. It is unfortunate, Sir, and it is one of the things which has stood in the way of our obtaining a recognition of our just claims, that it should be so widely assumed that the position that I have been placing before you is entirely peculiar to Bombay. I say it is nothing of the sort. It is quite true that the industry in Bombay is in a much worse plight than the industry in various other centres, but I would like to disabuse the minds of Honourable Members here of any idea that the industry in other centres is by any means in a happy position. Let me give a few figures. Take the Central Provinces. I am taking the figures of seven mills, and excluding the Central India Mills managed by the Tatas, for the reason that that mill has been established for well over 50 years and is strongly entrenched financially. If you exclude that, and take the other mills, you find that, while they have a block of something like 2½ crores of rupees, they have made a total loss of 18 lakhs in the last five years. Not only are the visions of the golden days through which the industry in various provinces is supposed to be passing not correct, but so far as the Central Provinces are concerned, the industry has actually lost 18 lakhs of rupees. In Madras, at a time when the Bombay Mill industry's production had been greatly curtailed, thus conferring a considerable advantage on its up-country competitors, I find that, in 1928, on a block of 4 crores 90 lakhs, the net profit was just about 8 lakhs of rupees. That means less than 2 per cent.

Now, Sir, take Ahmedabad, the condition of which every one knows. But every one does not realise that, while Ahmedabad is by no means in the same position in which we or any other centre is finding itself to-day, the statements submitted by the Millowners Association of Ahmedabad go to show that the net return on the capital sunk in the industry, namely, the block account, has been no more than 4 per cent. in a period in which they are supposed to be experiencing an unusual degree of prosperity.

Take the case of Bengal, of which my Honourable friend Mr. Birla ought to know something. In three years the Bengal industry has made a loss of 32 lakhs of rupees. I am talking of the seven mills in Bengal, of which we have obtained the balance sheets. I find that, on a block of about 3 crores, the Bengal industry not only did not show even a reasonable return on capital, but actually lost 32 lakhs of rupees in the last three years. That, Sir, I hope will suffice to convince my Honourable friends, who have an open mind on the subject, that the industries in other centres, while they may be in a better position than we find ourselves in, are certainly not experiencing any measure of prosperity.

This was the position which confronted the Government of India in the course of the last year or two, and the agitation which we have been carrying on for the last five years had to be intensified. Among other things, I

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I led a deputation of All-India Millowners to His Excellency the Viceroy in May last. That was followed by the appointment of a special officer, Mr. Hardy, to investigate the incidence and intensity of foreign competition. Mr. Hardy's Report is before the country. It is a very carefully compiled Report, and it says a good deal that required to be said in the matter of the competition which we are experiencing from various countries, particularly, Japan. On that, I led another deputation, this time to the Government of India. I think the House is entitled to know exactly what we placed before the Government of India, because I find that a great deal of misconception prevails on the subject. We asked the Government of India to give us protection to the extent of 20 per cent., with a minimum duty of 8½ annas. The Government of India have, for reasons which have been widely discussed in the last few days, not found themselves in agreement with our proposals. They have come forward with a proposal which, in view of their intention to accept my Honourable friend Mr. Chetty's amendment, amounts to this, that on all non-British countries the duty should be 20 per cent., with a minimum of 8½ annas per pound on plain grey goods from all countries. Sir, I am bound to state what effect this duty would have on the position of our industry. Without entering into any controversy, I would say that, though we have not obtained what we set out to obtain, the proposals now before the House are calculated to arrest the decline in our fortunes, and to give us a little breathing time within which to carry on and complete the re-organisation on which we are engaged. The only point I would like to make in this connection is that the period of three years is much too short. The duty will not be felt for another six months, because of the heavy consignments of foreign goods which have already been sent to our markets, and 18 months thereafter the Tariff Board will pounce upon us and will want to know exactly what we have done. Be that as it may, it must be stated that the proposals now before us will enable us to have a little breathing time, and to carry on that reorganisation which we regard as essential to the well-being of the industry.

I would just like, in this connection, if I may, to acknowledge with appreciation the labours of my Honourable friend Sir George Rainy. Sir, he knows very well that I have been fighting him for the last three years. I have never met, if I may say so, a more tough and formidable opponent in my life. But it is due to him that I should state that, though he has stood out resolutely against any relief to the industry for all these years. I am convinced that was because, so far as *he* is concerned at any rate, he did not feel that the case we had put up, or the necessities of the situation justified the imposition of a duty. But, Sir, he has now come forward with certain proposals, and I am bound to record my sense of appreciation of his labours in this connection. I would also like to say a word or two about my Honourable friend, Sir George Schuster, who has, from the moment he came to India, shown that he was very much alive to the grave plight of the industry and was anxious to do something for it if he could. But the position is there that we have not got what we wanted. Instead, we find ourselves on the horns of a dilemma. For one reason or another, the House and the country have been confronted with the issue of Imperial Preference. That issue is very important and very controversial, and far be it from me to try and ignore the sentiment against that principle. But, Sir, I would like to

supplement what my Honourable friend, the Finance Member, just now said about the implications of the present proposals before the House. In his budget speech my Honourable friend said :

"We do not and, in fact, we could not ask this Assembly to commit themselves at this stage to accepting the principle of Imperial Preference. We ask them to regard this proposal merely as a special measure, designed to meet the immediate emergency."

Sir, Imperial Preference may be a very controversial issue, but if you look at it in the only way in which it should be looked at, you will find that it is like any other economic issue, a strict matter of business, and not of sentiment. Imperial Preference must mean reciprocity of benefits, and if there is reciprocity of benefits, then, I take it, the opposition to the principle which exists in the country at the present moment would be largely done away with. But I would like to repeat, that the present proposals before the House must be regarded not as an acceptance of the principle of Imperial Preference on the part of the House or any section of it, but merely as in the nature of emergency measures which the House is asked to accept because the industry in Bombay and the rest of the country finds itself in a very grave position. Let me tell the House that, in this there is no hostility to our friends, the Government and the people of Japan. I have nothing but admiration for the efficiency of the methods and organisation of the Japanese manufacturers. But, Sir, for one reason or other, the fact remains that their competition is killing our industry, and I say emphatically that no country, however friendly our relations with it, can be allowed to kill the indigenous industries of India. I want to ask my Honourable friends here what the Japanese Government would have done under similar circumstances. I venture to think that a situation like this would have received from them very sharp and short shrift. They would not have waited for five long years deliberating as to whether the necessity existed, and when that was established, as to how much was to be given. There would have been a sharp and swift response from the Japanese Government if similar situation had confronted them. To come back to my point, the position is this, and my Honourable friend the Commerce Member made it clear this morning in his speech, that if the House is not prepared to accept these proposals, then the Government, so far as they are concerned, are not prepared to accept any radical amendments such as are tabled and will be moved in the course of the next few days. Under the circumstances, I hope this House will support these emergency measures for saving the industry. If they do not do that, I venture to submit that the industry must go to the wall, and I cannot conceive any section of the House wishing that. After all, as regards the differential aspect of the proposals, there is going to be a revision after three years, and I think I may say with confidence that if, in the course of the three years, it is found that the five per cent. differential duty has enabled Lancashire to penetrate our markets, displacing Japan, and that we find ourselves in much the same position as we are in, *vis-a-vis* Japan, then, Sir, I have not the slightest doubt that the Government of India will no longer be able to maintain at that stage that we should not be adequately and equally protected against Lancashire as well.

**Mr. Mr. S. Ansy:** We require greater protection from there.

**Mr. H. P. Mody:** I want the House to realise that this is a matter which admits of no delay. I have received telegrams, I am receiving them by the dozen every day, urging immediate action, because considerable consignments of foreign goods are pouring into Bombay and other markets, and that unless something is speedily done, the position of the industry for the next few months may not be any happier than it is at present.

Sir, the situation that confronts the City of Bombay and the Presidency generally is a very grave one. Our Presidency contributed, on an average, over 4½ crores of rupees by way of income-tax all these years. The latest figures go to show that our contribution in the shape of income-tax has dwindled to less than 2 crores. The effect on the revenues of India has been no less marked. Five years ago, when the industry was not in a bad position, we contributed no less than 2 crores and 28 lakhs of rupees by way of supertax. That figure dwindled down to five lakhs of rupees a year or two ago. These facts speak for themselves, and if what I submitted to the House carries any weight with it, I have established three things—that we are menaced by very fierce and unequal competition from certain countries, that the industry in Bombāy and other parts of India has suffered enormous losses, and that anything that was reasonably possible has been done to meet the situation what time the Government of India were deliberating as to what was to be done. My appeal now, Sir, to this House, is to take a long view of the situation, and not to be led away by extraneous considerations. I ask the House to realise that a great national industry is now with its back to the wall, and that if they do not go to its assistance, it must be seriously and permanently crippled.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadan Rural): That also would be a sentiment.

**Mr. H. P. Mody:** My Honourable friend Mr. Neogy's idea of sentiment is something remarkable. A national industry going to the wall, with crores of rupees loss to the public . . . . .

**Diwan Chaman Lal:** How is it national?

**Mr. H. P. Mody:** I will presently convince my Honourable friend the labour leader that this industry is national in every sense of the word. And yet my Honourable friend Mr. Neogy says that if the State is asked to go to the assistance of such an industry it is a matter of sentiment. (Interruptions.) Sir, I would rather avoid these interruptions, because I have a habit of answering them in a way I would not like to answer them on this occasion, particularly in view of the fact that, in the last few days, from the various discussions which we have had with the leaders and representatives of various parties, I have noticed, to my very great gratification, a spirit of great friendliness to the industry and to those who conduct it. (Hear, hear and Applause.) In particular, Sir, I should like to refer to my Honourable friend the Leader of the Opposition, whose great sympathy and consideration for what he has repeatedly said is a national industry, is well known, and whose support of every national cause is beyond dispute. It is a matter of very great pain to me that, on an occasion of this character, I and some of my friends here should find ourselves in opposition to my Honourable friend, Pandit Madan Mohan

Malaviya, and other friends, notably Mr. Jayakar. But, Sir, we cannot afford on this occasion to take stock of anything else, but the fact that we are today confronted with a very grave situation, and it is either a case of our being starved out of existence, or our struggling through a difficult period on to a period of reasonable prosperity. My Honourable friend Diwan Chaman Lall wanted to know how and why this was a national industry. Sir, I am surprised at a question of this character coming from anybody in the House; I should like to tell my Honourable friend that an industry in which a hundred crores of rupees very nearly have been sunk, most of it practically Indian money, an industry which is very largely conducted. . . . .

**Mr. A. H. Ghuznavi:** It has paid itself twice over.

**Mr. H. P. Mody:** . . . . . by Indian brains, Indian energy and Indian enterprise, an industry on which the employment of hundreds of thousands of people depend, an industry on the prosperity of which depends the well being of millions of people who are in one way or another concerned with the industry's prosperity, I say, Sir, that if that is not a national industry, I should like to know what is a national industry. (Hear, hear and Applause.) I should like to add that, if the industry lives, labour lives and thrives. It may be that we have had our differences. Capital and Labour in all countries have their differences. But it is a fact that, in Bombay we are hoping to move gradually but steadily to a happier plane of relations between capital and labour. However that may be, it can not be disputed that, on the prosperity of the industry, would depend in a very vital measure the prosperity of labour.

**Mr. Fazal Ibrahim Rahimtulla:** Labour leaders thrive without the industry.

**Mr. H. P. Mody:** Sir, there is widespread unemployment in Bombay at the present moment; I think we are working about 20 to 25 per cent. short of our full strength, and that must mean unemployment to thousands of people. If the industry is enabled to tide over this difficult period and enabled to become prosperous, I ask my Honourable friend, Diwan Chaman Lall, whether it is not a fact that labour would benefit directly and vitally from such an improvement in the fortunes of the industry. Sir, we are all marching towards one definite goal, some of us haltingly, some of us resolutely, but the goal is one, and we are all marching towards it. We have all hopes that the day is not distant when India will realise the summit of her ambitions and natural aspirations. But, Sir, there is one aspect of the question which I want to put to this House, and through this House to the country, whether it is possible for India, even when she attains the fullest measure of self-government, to maintain her position in the Commonwealth of Nations, if her economic condition is on the low plane on which it stands at the present moment. It is obvious that, without opportunities for expansion of trade and industries, the position in which the India of tomorrow will find herself will certainly not be very happy, although, she may have found the full realisation of her political ambitions. We have complained times without number—and I must say to my friends on the Treasury Benches, with the fullest justification—that the progress of India's trade and commerce has been impeded, if not throttled, by the policy pursued by the Government of India in times past. Are we in this House, on the present occasion,

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to pursue, however unwittingly, a policy which we have condemned times without number? That, Sir, is the true implication of the vote which this House is asked to give on this Bill.

**Mr. M. S. Aney:** No!

**Mr. H. P. Mody:** I wish, Sir, the strength of my Honourable friend's tone would carry conviction to me. I do not think it carries conviction to anybody. I say, Sir, that if we want to be truly great, we want a national policy in trade and economics today. An industry whose stake in the country and whose importance and national character cannot be questioned, comes to your door asking for assistance, and I say the House will ponder long and ponder deeply before it will deny that assistance which we are pleading for to the greatest industry in the country.

**Diwan Chaman Lall:** Sir, I had no intention of speaking immediately after Mr. Mody.

**Mr. President:** Then why did the Honourable Member rise? (Laughter).

**Diwan Chaman Lall:** The reason is, Sir, that Mr. Mody in his very eloquent address, has, for the first time in my life, convinced me that the millowners of India ought to be treated as an intellectual class. (Laughter.) Now, Sir, I rise because I consider that his speech is worthy of a reply; I rise because of a charge he has made,—I say "a charge" deliberately,—when he said that the cotton industry was a national industry. The main subjects to be considered are, (1) whether protection is necessary, (2) whether protection is desirable and (3) whether British preference that is given in this Bill is a thing that we ought to accept. Before I come on to them let me deal with my Honourable friend Mr. Mody and let me ask him in what particular manner does he consider this industry to be national? If it can be proved that this industry is really a national industry I do not believe that there is a single Member on the floor of this House who would not be willing to do all he can in order to support that industry. My friend Mr. Mody is suffering from a peculiar complex. With the advance of socialistic doctrines in the world, we meet with human beings whose intellects are coloured more and more by socialistic doctrines and when their minds are confused about what is and is not national, when their minds are confused about the two terms "nationalised" and "nationalist", they immediately pounce upon the significance of the word "nationalised" and convert it to their own use. The industry is controlled by us, we who are nationals, therefore it must be a national industry. That is the argument. Who are the controllers of that industry? A handful of millowners of this country. For whose benefit is this industry run? Does my friend intend to say on the floor of this House that this industry is being run for the benefit of the working classes who are engaged in this industry? It is a most preposterous proposition and my friend knows that it is a preposterous proposition.

**Mr. H. P. Mody:** We run it for the benefit of everybody. Mr. Mody said: We are not philanthropists. . . .



**Diwan Chaman Lal:** I am glad my Honourable friend realises that he is not a philanthropist. What he wants now is this with a beggar's bowl in one hand and a pistol in the other; he says, "Give me this and if you do not, your life is at stake, because it is a national industry and the nation's interest will suffer if you do not give me this." I am glad my Honourable friend admits that this industry is not being run on philanthropic lines for the interest and benefit of the working classes. Let him be perfectly honest and frank and say that this industry is being run for the profit and benefit of the few who own that industry. The nation does not own this industry, it is a few who own it. My Honourable friend is perfectly aware of the past history, during the last few years, of the strikes, the troubles and the bitter fights that were witnessed between this handful of people on the one side and the workers on the other side, whose interests Mr. Mody trots out on the floor of this House. Did they regard their interest at that time when these people were starving in Bombay? Did they consider this industry to be national at that time? They did not; let my friend drop this argument of this industry being national. Yes, it would be national if the enormous profits ranging in a period of five years (1917—1922) to 177.9 per cent. of the total capital invested in this industry had not been put into the private pockets of the owners but handed over to Government for the benefit of the nation. In what sense, I ask him again, in what sense is this a national industry? Is it for the benefit of the people of this country? The only benefit that the people of this country are going to derive as a result of the activities of my Honourable friend over there is that every poor man who wears a *dhoti*, every poor man who wears a shirt will have to pay more for it; he will take out the little money that he uses for his food and go without his food in order to wear that cloth. This will be the result of the activities of my friend. Is this an advantage which the nation is going to derive out of this national industry? Who is going to suffer? Not my friend over there. He will stabilise his industry, he will strengthen his industry; he will be in a position to declare a dividend of 100 per cent. such as they declared in the olden days, not so very long ago, just a few years ago. He will then turn round and not complain about its being a national industry. The man who will suffer will be the consumer of cloth in India. Every man who wears cotton in this country will have to pay more in order that my friend over there should not be placed upon the unemployment list. (Laughter.) What the millowners are thinking about at the present moment is unemployment. They are faced with the problem of their own unemployment (Laughter) and they camouflage the real state of affairs by appealing to the sentiments of my friends on my right, my friends on my left, my friends in front of me, and say that the prestige and the prosperity and the interests of this nation are at stake and therefore they must be given this protection in the absence of which the nation will suffer. (Hear, hear.) Sir, I have always felt throughout my life that hypocrisy is one of the greatest crimes that any human being can be guilty of, and when I hear arguments of this nature I cannot describe them by any other more effective name than that name. Let us be perfectly frank. We are in distress, say the millowners; will you kindly help us out of our distress? We have been in distress not because of what we have done, say the millowners, but because of the

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crimes committed,—and certainly in some cases there were crimes committed,—by the Honourable Members sitting opposite. We are in distress, say the millowners; please come to our rescue, because if you do not, the future is very dark. Now, I want my Honourable friend, Mr. Mody, to search his heart and find out in what particular measure he and his colleagues have contributed to the distress of this industry. (Hear, hear.) And if this House is going to give them the assistance that he seeks, what guarantee will he give this House that he is going to put his house in order? (Hear, hear.)

**Mr. H. P. Mody:** Spare us from that phrase.

**Diwan Chaman Lall:** My friend says, spare us from this. Naturally a school boy does not like to be shown his faults. My Honourable friend does not like this particular thing because he knows he has been charged by an expert committee, the Tariff Board, with not having put his house in order. He has been asked to put his house in order and I stand here and ask him to let this House and through this House the country know how he and his colleagues have put their houses in order.

**Mr. H. P. Mody:** I am prepared to take up that challenge.

**Diwan Chaman Lall:** My Honourable friend says, he is prepared to take up the challenge. Why has not that challenge already been taken up? The Report of the Tariff Board has been public property for a few years. Why has not that challenge been taken up already? How many of the things they have suggested have been done? The trouble with them, Sir, is this. The trouble with this industry is the trouble with all industries which are run on an hereditary basis. There is not an industry in the world, I say deliberately, that can stand the incompetence and the inefficiency of three generations. (Hear, hear.) That is the charge against the cotton industry in Bombay. I would like to know how many of these gentlemen, who are at the head of this industry in Bombay, have the competence to run that industry? It is an open secret that with the exception of a handful of them, the rest are not competent to run that industry, and we are being asked to tax the poor man in this country, the man whose average income is so miserable that he cannot make the two ends meet, in order to make my friend over there and his colleagues prosperous on the false and fictitious plea that this industry is a national industry.

Now, Sir, the point that my friend raised is a small point, but I would like to refer to it, that is with regard to the Washington Convention. If proof were needed of the incompetence of these gentlemen, proof positive of the argument that my friend advanced—he talked about the Washington Hours Convention not being honoured by Japan and I asked him what he meant by that and he said that, if they had stopped their work between the hours of 10 and 5, then they would not have been able to run two shifts, and because they would not stop between 10 and 5, therefore they have not honoured the Washington Convention. I hold the Washington Hours Convention in my hand. I pass it on to my Honourable friend for his benefit. Let him read it and show me any particular article in the Washington Hours Convention under which Japan is prevented from working between 10 and 5.

**Mr. H. P. Mody:** I have read it.

**Diwan Chaman Lall:** I am asking him to read it now. I am challeng-  
4 P.M. ing him to prove to me by referring to the Washington Hours Convention which I hand over to him, to show me any particular article in that which says that between the hours of 10 and 5 Japan should not work. In fact it is article 9 that applies and it lays down 57 hours as the limit, weekly limit, of work, and now today the Japanese workers are working less than 57 hours under the new scheme. What he refers to is quite a different convention, to which I shall come later. The other arguments are exactly on a par with this, when he gave us a very delightful picture of the profits earned during the last few years, he was very careful to see that he was not taking the actual capital invested, a very significant fact. On that basis any man can turn these figures to mean exactly what he chooses to say. What is the actual position? Will my Honourable friend deny, will he deny this fact, that between the years 1917 and 1925 his mill industry paid out in dividends alone 177·9 per cent. of the total capital invested? (Interruption.) Will he deny that fact? I ask him to deny it if it is incorrect. If an industry between 1917 and 1925, an industry which has been in existence since 1850, has been able to pay dividends amounting to 177·9 per cent. of the total capital invested in that industry, I say what has been wrong with that industry? Why has not the industry been able to entrench its position and compete with Lancashire, compete with Japan and compete with China? Why were they not able to do it? I ask my friend to give me a reply to that?

**Mr. H. P. Mody:** You ask so many questions, but I have not got the opportunity of answering. I would very much like to answer every one of them. You go from challenge to challenge. But I cannot meet it at this stage. (*An Honourable Member:* "Let some one answer.")

**Diwan Chaman Lall:** He says there is no opportunity to answer my question. He spoke before me. It is his misfortune that he spoke before me. But I want to ask him, when he was speaking he surely should have anticipated several of the arguments that have now been advanced. (Hear, hear.) He knew perfectly well that those arguments were going to be advanced. Why did he not anticipate them? But he has not challenged my facts.

**Mr. H. P. Mody:** How do you know?

**Diwan Chaman Lall:** He has not challenged my figure of 177·9 per cent.

**Mr. H. P. Mody:** Who said that?

**Diwan Chaman Lall:** Oh, my friend has challenged it? He has changed his mind, Sir. (Laughter.) Since my Honourable friend has changed his mind . . . .

**Mr. H. P. Mody:** I dispute that. I have not changed my mind. I am prepared to challenge every one of the so-called facts which my Honourable friend, Diwan Chaman Lall, has placed before the House and he knows that I am not in a position to say anything now because I have exhausted my right of speech. Let him put all this in the Press and I will give him an answer. (Applause.)

**Diwan Chaman Lall:** My friends sitting there cheer my friend, Mr. Mody's statement, cheer it ironically. That ironical cheer is answer enough for him. "Let him come out in the Press and I will challenge those statements". Sir, I was advancing the arguments that our millowners are incompetent. Nothing can be more certain than this; nobody could be more certain of this fact than I am after the statement . . .

**Mr. H. P. Mody:** You have changed your mind? I thought you should.

**Diwan Chaman Lall:** I say this for this reason. These facts that I am stating on the floor of this House have been public property all these years. They have been put before us by the Tariff Board's Report, and my Honourable friend challenges this fact, not having read even the Tariff Board's Report, and he wants the House to believe that the millowners have given effect to the recommendations of the Tariff Board, not having read even the Tariff Board's Report. I am surprised at this and I ask him now if the figures—I have taken them out of the Tariff Board's Report—are correct or incorrect and if they are in his opinion incorrect, will he tell me of any occasion—he happens to be the Chairman of the Millowners Association of Bombay—any occasion on which the Millowners of Bombay or his Association or he individually has controverted those facts contained in the Tariff Board's Report? I pause for a reply again. I take it that they have never been controverted. I take it that when my Honourable friend said that he would challenge my facts, he was merely indulging in a form of words. He was not serious. Those facts are all on record. I ask him if it is the position that 177.9 per cent. of the capital invested in this industry has actually been returned to the investors in the industry during those years? And what does it show? I want to know what is exactly wrong with the business? Why were not they able to entrench themselves, considering that no attack from Japan or Lancashire or China could have had any effect? Why were they not in a position to do so?

**Mr. M. A. Jinnah:** Because they didn't consult you.

**Diwan Chaman Lall:** They did not consult experts. (Applause.) The Leader of the Independent Party is not an expert in this matter. They should have consulted experts. The reason why they find themselves in their present position is because it is a hereditary business, because it is handed down from father to son, because incompetence is handed down from father to son. Now take the case of Japan. Does not Japan import its cotton from India in large quantities? Does not Japan manufacture that raw cotton into manufactured goods; and does not Japan send those manufactured goods into India? And does not Japan succeed in underselling our friends the Bombay millowners in spite of this handicap of having to import cotton from India, pay freight, manufacture it there in Japan, pay freight again and pay duty, and yet undersell goods manufactured in this country? How is that possible? Have our friends the millowners ever thought as to how it is possible for the Japanese to do so? They have not thought of it. What is the position? The position is this, that they have not considered deeply the question of the reorganisation of their industry on a scientific basis. Whose fault is it? Is it the fault of the average man in the country who is going to be mulcted because of the incompetence of these gentlemen? Or is it the fault of the Members of this House? Is it the fault of

anybody in India that they have not been able to make their industry prosperous, strong, able to withstand the attacks of foreign competitors? It is because of something that was wrong that they come to us now and ask us in the name of the people of India, in the name of the nation, that we should support their misadventures in this industry, that we should subsidise their incompetence in this industry (Hear, hear), that we should assist them to entrench their position, may be only temporarily, may be only for a short period, but at what cost, I ask? At the cost of the hungry starving millions of this country. I made a suggestion to my friend on another occasion on the floor of this House. Incompetent as this Government is (Laughter), they would probably be in a better position to run this industry than our friends over there who are running the industry for their individual profit. We have the example of the Railways which at any rate are paying a fairly decent dividend.

**Lieut.-Colonel H. A. J. Gidney** (Nominated: Anglo-Indians): Not this year.

**Diwan Chaman Lall**: The industry might pass through difficult times, but when the boom period came back, whatever profits were earned by that industry would go into the common exchequer and not into the private pockets of the millowners. Then only would it be a national industry. It is not a national industry in present circumstances. I, therefore, Sir, oppose, and I oppose with all the vehemence that I can command, this proposition that we should add further to the indirect burden by taxation which is now placed upon the masses of India. We are already, I believe, paying something like 64 per cent of our taxes in the shape of indirect taxation, and this further imposition for the benefit of a few individuals in Bombay will add to the burdens of the poorer classes of this country. And it is on that score that I oppose this motion. Further, I am convinced that protection at the present stage is not only undesirable,—that is my first line of opposition—but protection at this stage is unnecessary; that, if they would only put their own house in order—an expression which my Honourable friend does not like—I have not the least doubt that all would be well in the industry. Why, only a short while ago, not very long ago, Ahmedabad had gone to a very low depth of depression; the mill industry of Ahmedabad was not paying high dividends of the olden days. Now more mills have been added and they are still paying dividends.

**Mr. M. A. Jinnah**: Because they are more competent?

**Diwan Chaman Lall**: Because they are more competent. If only my friend Mr. Jinnah will read the Tariff Board's report—the trouble here is, Sir, that nobody reads anything.

**Mr. M. A. Jinnah**: You have read it?

**Diwan Chaman Lall**: I am prepared to take this challenge that Mr. Jinnah has not read the Tariff Board's Report.

**Mr. M. A. Jinnah**: My Honourable and learned friend may have read it, but has not understood it.

**Diwan Chaman Lall:** I am in a position to contradict my learned friend; I contradict him and I want him to contradict my contradiction. I want to put my learned friend wise. He knows or he ought to know the Tariff Board's Report. The Ahmedabad millowners preserved their profits to a larger extent than the Bombay millowners. When the depression came—it is all to be found in the Tariff Board's report, the red book by which Mr. Mody ought to swear—because they had preserved their profits, the Ahmedabad millowners were in a position according to the Tariff Board's report, to meet the period of depression. The Bombay millowners did not; they are not in a position to meet depression, and why are they not in a position to meet it? Because instead of preserving their profits, they wanted to indulge in great speculation, because they wanted to boom the share value of their shares, because they wanted to get rich quickly, because they wanted to do all these things in order that they should themselves profit by this process, and they did not reckon, they did not care for the future. They disregarded the economic proposition that, after every boom, there must come a period of depression some time or other. They indulged in industrial profligacy and found themselves in difficulties when the depression came. Now, it is obvious that they themselves were to some extent a contributory cause of this depression because, when the boom came, they had no reserve left with which either to buy new machinery and put their house in order or reorganise the industry. They are now faced with this problem that they are not able to do this. I say, under these circumstances it would be criminal on the part of this House (Hear, hear) to make a present, as the Honourable the Finance Member intends to do, to the cotton millowners of Bombay and elsewhere in India to the extent of several crores at the expense of the man in the street, until and unless he is in a position to extract a guarantee from my friends that they will put their house in order and that they will divert, whatever profits they are going to make, a substantial portion thereof for the benefit of the working classes engaged in this industry. I want to tie my friend Mr. Mody down to this proposition. Let me for a moment believe as he says that, it is a national industry. Will he, believing that it is a national industry, do the right royal national thing and promise on the floor of this House, on behalf of all the millowners of Bombay, that 75 per cent. or 50 per cent. of the profits that this industry will make as the result of the assistance being given to it by the Honourable Member over there, that they will divert 50 per cent. of those profits for the betterment of the working classes engaged in this industry? If he has regard for his words, and if he values the words that he utters, will he give me this assurance that 50 per cent. of the profits that he gets in this industry he will divert for the benefit of the working classes?

**Mr. H. P. Mody:** I am surprised at my Honourable friend's moderation. He only asks for 75 per cent.

**Diwan Chaman Lall:** I am asking my Honourable friend for 75 per cent., but he is asking for the full pound of flesh from the workers of India. (Hear, hear.) He is asking for the full pound of flesh from every man in this country, from every poor man in this country. Does he realise that? He has not asked for a mere 75 per cent.; he has asked for the full 100 per cent. Now I want him to give me this promise. Will he do so? If he really values his words and says it is a national industry, let him consider the interests

of the nation; let him consider the interests of these millions of people who according to him are interested in this industry and who are affected by this industry. Will he do so?

**Sir Zulfiqar Ali Khan** (East Central Punjab: Muhammadan): Will that be your final demand?

**Diwan Chaman Lal:** Sir, I am not at all hopeful that my friend will be so eager to jump up in his seat when I put him this question. (Laughter.)

Now, Sir, I would like to come to the main proposition . . .

**Mr. President:** Order, order: if the Honourable Member is going to be long, I think I had better adjourn now.

**Diwan Chaman Lal:** Yes, Sir: I think I shall be long.

**Mr. President:** How long does the Honourable Member wish to speak?

**Diwan Chaman Lal:** For at least three-quarters of an hour.

**Mr. President:** The House stands adjourned till Monday morning at Eleven O'clock.

The Assembly then adjourned till Eleven of the Clock on Monday, the 17th March, 1980.