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THE  
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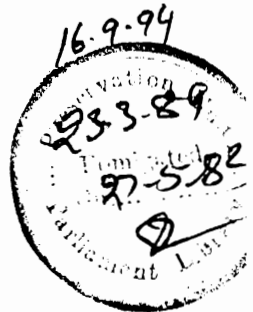
SIXTH SESSION

OF THE

THIRD LEGISLATIVE ASSEMBLY, 1930



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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.L.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.

Wednesday, 26th March, 1930.

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

## THE COTTON TEXTILE INDUSTRY (PROTECTION) BILL.

**Mr. President:** The House will now resume further consideration of the following motion moved by the Honourable Sir George Rainy on the 13th March, 1930:

"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."

**Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber: Indian Commerce): Sir, speeches on this motion yesterday, especially from those Benches which are opposed to this motion, clearly indicate that, of the two principles underlying this Bill, on the first one of protection for this industry, there is practical unanimity. The only discordant note that was struck was on the first day of the discussion by my Honourable friend Diwan Chaman Lall. If I disagree with my Honourable friend Diwan Chaman Lall, I must at least give him credit for consistency in his attitude on all items of consideration of protection before the House. Whether it is protection for the steel industry, or for the paper industry or for the textile industry, ever since 1924, my Honourable friend from the Punjab has been consistent, opposing every motion for protection to the industry, irrespective of the merits of that protection, on this one ground only that there is a good deal left to be done yet by people engaged in industries in India for the amelioration of labour in India. Sir, there will be none amongst those who seek to support this Bill who will challenge Diwan Chaman Lall's dictum that the condition of labour in factories in India is nothing approaching the ideal. But even my friend Diwan Chaman Lall will agree that labour can only prosper if industry exists, and the ruin and closing down or even weakening of industries, he, I am sure, will recognise, does mean a weakening of the chances of improvement in the standard of labour.

The other friend who opposed this Bill is my friend from Bengal, Mr. Ghuznavi. Mr. Ghuznavi's complaint however was that he was very apprehensive that this protection, including as it does what is called Imperial Preference, is not adequate for the cotton textile industry. On the score, therefore, of protection being necessary I take it that my friend Mr. Ghuznavi not only agrees with the principle of the Bill, but has some criticism to offer to Government that they have not offered in this Bill enough protection for the cotton textile industry. Barring these two, I do not think I remember having heard any other Honourable Member who has spoken in this House till now say that he is opposed to the principle of more protection being made available to this industry.

[Sir Purshotamdas Thakurdas.]

Sir, Diwan Chaman Lall showed considerable attachment on his part to the methods employed by factory owners in Japan, and incidentally, I infer, to the support given by the Government in Japan to the textile industry. There is only one omission, which I think Diwan Chaman Lall may himself like to be brought to his notice, and that is that he overlooked informing the House that the Government in Japan gave protection to all industries in Japan when the Japanese currency was brought back to its pre-war parity, and an *ad valorem* protection of 10 per cent. was gazetted by the Government in Japan for at least a period of one year from the date on which the removal of the gold embargo was decided upon in Japan. I have here a cutting which shows that this protection has been offered not to a few industries which can be said to be national, but to all industries suffering from this appreciation of the Japanese currency. One of these is:

“ . . . industries which would sustain losses without such protection, by reason of a sudden increase of imports on the recovery of the exchange to par.”

I wonder whether my Honourable friend, when he rises to speak on the third reading of this Bill, will, on his behalf at least, rub this point into my friends on the Treasury Benches, and point out to them that, if not totally, a good deal of the trial, which is now being experienced by the textile industry, is due to the omission of Government to do this in India in 1927, when they officially decided to accept the ratio of 1s. 6d., an appreciation of 12½ per cent., and a deliberate and unmistakable bonus to the same extent to all imports to this country.

**Mr. President:** The Honourable Member is inviting Diwan Chaman Lall to speak again!

**Sir Purshotamdas Thakurdas:** If he wishes to, on the third reading, Sir. I am sure he will speak.

**Mr. President:** That means that the Honourable Member is not anxious to go back to Bombay soon!

**Sir Purshotamdas Thakurdas:** I do very much, Sir. I wonder if you will prevent Members from speaking if they have something new to put forward.

Sir, before I proceed further, I think I owe it to this House and to the Japanese merchants in India that I inform this House, about two telegrams received by me from two representative bodies in connection with what I communicated to this House on the 7th instant. I then said that I had a telegram in my possession that day, which indicated that there were reports in Bombay that the Japanese Government may give a bounty of 5 per cent. to make up for the proposed preference to British cotton goods imported into India, and that large quantities of piece-goods were being hurried to India in order to get entry into British Indian ports before this Bill was passed into law. The telegrams in my hand say:

“Quotations in your speech March 7th incorrect as Japanese Government not promised any bounty nor will tax Japanese nation for benefit of Indian consumers. Deny reports heavy cloth sales with rebate to buyer if protective duty levied.”

**An Honourable Member:** Whom is it from?

**Sir Purshotamdas Thakurdas:** One telegram is from the Japan Cotton Shippers' Association, Bombay, and another is signed by Mr. Kinoshita, the Manager of the Japan Cotton Trading Co., Ltd., from Bombay.

Now, Sir, I do not wish to deal with the several arguments adduced by Members who have been anxious to criticise Bombay mill industry and Bombay mill management. But it was some relief to me to hear yesterday from my Honourable friend Mr. Neogy that he, who had been opposed to protection for the cotton textile industry till now, has now turned friendly to Bombay and that he was prepared to offer his assistance to this House to prevent Bombay from, what he called, committing suicide. I am sure, Sir, that assurances of such well-meaning watchfulness, on the part of Honourable Members in this House, or those who are interested in the cotton textile industry of Bombay, are most welcome, and I look upon this, Sir, as a very good sign of the friendliness of this Assembly towards the enterprises of Bombay, be it in the direction of cotton textiles or anything else. But I cannot help feeling, Sir, that there is a very serious misapprehension when Honourable Members in this House connect this Bill mainly or mostly with the welfare of cotton mills in Bombay only. It is true that Bombay mills are worst affected by foreign competition and therefore it is natural that this protection, if given, may benefit them in the first instance. But I submit, Sir, that it is incorrect to say that this protection will benefit either mainly or, I dare say, even principally the Bombay mills. If this protection is likely to do substantial good to mills in any part of India, it is to mills which are outside Bombay. It may, in the first instance, give Bombay a little more immediate relief than those up-country, and for this purpose I cannot do better than quote from the Statement of Objects and Reasons, where the Honourable the Commerce Member himself has the following sentence:

"From the evidence in the possession of the Government, it appears that, during the last three years, and particularly in the last six months, the pressure of external competition has intensified and that the cotton mill industry throughout India is depressed, though the extent of the depression varies at different centres."

I ask the House to mark the words, "The cotton mill industry throughout India is depressed".

Now, regarding the extent of the depression, Bombay, as it is a port, naturally does suffer most and suffers earliest from depression brought about by competition from foreign imports. But it does not necessarily follow that, should nothing be done, mills in Bombay alone will go down; that mills in Bombay alone will suffer and mills elsewhere in India will not be affected. What is, Sir, bad for Bombay today will be bad for Ahmedabad, Sholapur, Delhi, Cawnpore, Calcutta and Madras within a few weeks or months, and at the latest, within less than a year. It is necessary, therefore, Sir, that this House should clearly bear in mind that the protection which they are considering today, even though Bombay may be made the bull's eye at which people may go on marking and shooting, that protection is also for mills up-country, side by side with Bombay. If this is borne in mind, I have not the least doubt, Sir, that those, who are interested in this industry out of Bombay, will feel at least this, that Bombay is bearing all the brunt in connection with the criticism, but they are going to benefit equally with Bombay if not more. If this protection enables the Bombay mills to avoid losses, it will enable the mills up-country to pay a small dividend, if they have not been paying that till now. If it will enable the Bombay mills to pay a small dividend of 5 or 6 per cent., it will certainly enable the

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mills up-country to pay a larger dividend than they have been paying without it. It is only natural that they should do so, and I do not grudge the up-country mills their good luck. The up-country mills have the advantage of their geographical situation, and it is only natural that they should so benefit more. But I say this now in order to bring home unmistakably—and which I consider is above challenge—that in dealing with this question, it should not be overlooked that the Assembly will help not only the mills in Bombay to escape the immediate catastrophe, but they will also be helping the mills all over India to escape from that danger.

There has, Sir, been considerable criticism regarding the methods of mill management in Bombay. I personally welcome all such criticism, especially for my City. Of course I feel that criticism coming from Honourable Members in this House is criticism which comes from responsible well-wishers of the industry, and ought to help to keep Bombay up to the mark and to prevent them from avoidable slackness. I do not take exception to any words of warning or of advice given in friendly spirit by the bitterest opponents of this Bill, because I cannot possibly believe that there is a single Indian today who is inimical to the textile industry of India, whether it be in Bombay or elsewhere. (Hear, hear.) It is this conviction of mine that makes me say, Sir, that as far as I am aware, every one in Bombay will welcome all such criticism not only now but for ever hereafter. But there is, Sir, considerable confusion in several of the impressions which some of my Honourable friends who criticised Bombay have. There has been a little too much stress laid on some catch-phrases which, we know, become popular as soon as they have mentioned once or twice over in some Government report or by some commercial association, be it either in full knowledge of facts or in partial ignorance of same. Take, for instance, Sir, one item which has been mentioned, rather profusely, in the course of the discussion. I think it was my Honourable friend from Orissa, Mr. B. Das, who started the criticism regarding the mill agents' system, the system known as the commission agents' system. Now, Sir, I do not wish to defend that system through and through. But I wish to point out to my Honourable friend, Mr. B. Das, that what is wrong with that system is that there are not enough safeguards ensuring efficient mill-management in case of hereditary management proving inefficient. There is not sufficient watchfulness on the part of the shareholders and there may not be enough safeguards provided in agreements with mill agents. But if my Honourable friend says that that system ought to go, and the system of management of joint-stock concerns, especially cotton mills, should be the system of management through managing directors, I would like my friend seriously to consider over it and to point out to me any part of India where industrial or commercial enterprises have been managed successfully by managing directors?

**Mr. B. Das** (Orissa Division: Non-Muhammadan): The Bombay Electric Supply and Tramway Co., Ltd.

**Sir Purshotamdas Thakurdas**: I wish my friend had named something else. I happen to be connected with that Company, being the Chairman of the Board of Directors, and I do not like to say anything about it myself. But surely he can select something else outside Bombay. If Bombay is doing the wrong thing, why not point out something which is being done in the right way either in Bengal or in Bihar and Orissa or Madras?

**Mr. B. Das:** May I point out, Sir, that I did not mean to attack the managing agency system; my criticism was to point out certain defects in the managing agency system.

**Mr. K. O. Neogy** (Dacca Division: Non-Muhammadan Rural): We have quite a large number of tea garden companies which have been flourishing all these years under Indian management, which are entirely under the system of managing directors, and not managing agents.

**Sir Purshotamdas Thakurdas:** I am not conversant with the requirements of tea garden management, though I am prepared to accept my Honourable friend's view, but with regard to what my Honourable friend Mr. B. Das said, perhaps he will agree that it is not necessary to eliminate managing agents on a commission basis.

**Mr. Ghanshyam Das Birla** (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): I may say, in order that my Honourable friend Sir Purshotamdas Thakurdas might develop his argument, that the instance cited by Mr. Neogy is not helpful to Mr. Neogy's argument because, so far as I know, those tea garden companies which are managed by managing directors have to borrow money from many Marwari business men at the rate of 12 to 15 per cent.

**Mr. K. O. Neogy:** But they flourish all the same.

**Sir Purshotamdas Thakurdas:** I am very glad, Sir, that my Honourable friend Mr. Birla is able to help me with a few facts regarding Mr. Neogy's instance, but with regard to my Honourable friend, Mr. B. Das, may I put it to him that it is not necessary to eliminate the managing agents? All that is necessary is to improve the system.

**Mr. B. Das:** That is my point.

**Sir Purshotamdas Thakurdas:** I am glad that my Honourable friend Mr. B. Das agrees that there are certain directions in which the managing agency system can be usefully improved. But I am afraid that there may be other Members in this House who think that it is desirable to eliminate and to stamp out this system. I venture to assert, with due respect, that the day they do that, either by legislation or by any other method, will be a bad day for industrial enterprise in India.

**Mr. B. Das:** I never meant that.

**Sir Purshotamdas Thakurdas:** I agreed with Mr. Das as soon as Mr. Das made his meaning clear. As a matter of fact, both Mr. Neogy and Mr. Das will agree that, during the last few years, when there has been a good deal of company promotion in connection with either Indian banks, small or big, or insurance companies or anything else, if my Honourable friends have seen some of the prospectuses, they will confirm me that these have mostly been started with managing agents and not with a managing directorate.

**Mr. Vidya Sagar Pandya** (Madras: Indian Commerce): I do not think banking companies can be cited as an instance.

**Sir Purshotamdas Thakurdas:** I accept that my Honourable friend Mr. Vidya Sagar Pandya's latest flotation of a bank has been under the system of managing directorship; I fully accept that.



**Mr. Vidya Sagar Pandya:** There are no banks in the country under managing agents. Can the Honourable Member cite names of any banks under managing agents?

**Sir Purshotamdas Thakurdas:** I thought I just agreed with Mr. Pandya about his new bank. My point is that we should not be in a hurry to come to the conclusion that, because Bombay mills and companies are run by managing agents, therefore, they deserve no protection. As a matter of fact, I feel, Sir, that those, who are intimately acquainted with the sacrifices made by managing agents till now in Bombay, ever since the first mill was started there in 1860, sacrifices made to get the mills to stand during crises like the present one and others in the past, which they have passed through in 1900 to 1907, would feel as I feel, Sir, that I would like to take my hat off every time to these managing agents who have not spared their last pie in standing by their mills in the hope that those mills would successfully pass through a crisis. By all means I would welcome an inquiry by Government into the evils and the comparative good of this system. It will clear up the issue unmistakably, but I feel that, to rush to any conclusion as suggested by some of the remarks made here would be misleading to this House.

My next point, Sir, is again in connection with what my Honourable friend, Mr. B. Das, said. He complained that the mills in Bombay were over-capitalised. I do not know what my Honourable friend, Mr. B. Das, meant by over-capitalisation. What he meant perhaps was that mills were either floated or were put up during the boom period at prices which, under present conditions, look very high. Let me tell my Honourable friend Mr. B. Das that of the few mills which changed hands in Bombay during the boom period at prices varying from Rs. 60 and Rs. 70 lakhs to a crore and a half, most have up to now gone under the auctioneer's hammer; there are practically none of these left: they showed their unsoundness for financial purposes within a few years after the boom period came to an end.

**Mr. A. H. Ghaznavi** (Dacca Division: Muhammadan Rural): May I point out that, at page 207 of the Tariff Board's Report, it is said "Over-capitalisation has contributed to accentuate the depression in Bombay"?

**Sir Purshotamdas Thakurdas:** The Honourable Member is referring to the summary of conclusions; I thought he was pointing to the relative paragraph in the body of the Report.

**Mr. H. P. Mody** (Bombay Millowners' Association: Indian Commerce): It is three years old any way.

**Sir Purshotamdas Thakurdas:** I do not think I would be justified in taking up the time of the House by reading extracts from the Report, but I will talk this point over with my Honourable friend if he desires it, so that he may speak later on this if he wants to. My point, Sir, is this. I should have thought, and perhaps those who are connected with banking in connection with mills in Bombay or in Ahmedabad will bear me out, that the complaint regarding the mills in Bombay and in Ahmedabad till now has been, not that they have too much capital, but that they have too little capital, that they were under-capitalised, that they have not any capital with which to do the current day to day financing required by these mills. Most of these mills continue to borrow on the credit of their managing agents in the open market from day to day, inviting a crisis as

soon as there is a flutter in the money market. Sir, regarding the majority of the mills in Bombay and in the Bombay Presidency, I may say to my Honourable friend, Mr. B. Das, that their weakness is not over-capitalisation, but under-capitalisation. Whether it is the right system or not, I am not prepared today definitely to pronounce before this House. I am pointing out that, if these mills had all been floated with the capital necessary firstly for the purpose of putting up the factory and in addition for the purpose of carrying on the day to day financing of the mill, perhaps so many mills and so many enterprises in this direction would not have been in existence at all. Sir, I will say only one word before I proceed further, and that is that I am convinced from my connection with the management of mills and my knowledge of the conditions under which financing of mills is being done in the Bombay Presidency, that, but for this system of managing agents, who stake their all on their mill companies, at least four times the number of mills which have gone down till now in the Bombay Presidency would have gone down. A more acute crisis in these mills has been prevented by the spirit of self-sacrifice partly in personal interest if you so choose to call it, but still it is there—which makes the managing agent stand by his mill up to the last moment, in the hope that something new will turn up and will enable his particular concern to turn the corner.

The next question, Sir, is the 4 per cent. increase in the revenue duty, and the 3½ annas minimum on greys. The question is, is this adequate? Even the Government, Sir, feel that this is not adequate for the immediate requirements of the mills. As pointed out by my Honourable friend, Sir Cowasji Jehangir, yesterday, when an Honourable Member of the temperament of the Honourable the Commerce Member definitely comes to that conclusion, he will be a bold man in this House who can say that the Honourable Sir George Rainy has been extravagant in what he has offered to the mill industry. If, Sir, there is any defect in the Honourable Sir George Rainy in that connection, so far as this side of the House is concerned it is that, he is too strict, and I have never seen, if I may say so, any leniency on his part when he sits down to consider and decide what measure of protection is necessary.

I will now come, Sir, to that part of the principle involved in this Bill which has been the bone of contention. Having come to the conclusion that this 4 per cent. increase in the revenue duty and the 3½ annas minimum on grey goods is not adequate, Government propose to give the additional protection . . . .

**Mr. A. H. Ghuznavi:** When did they propose to give this additional protection?

**Sir Purahotamdas Thakurdas:** I should have thought, Sir, that the questions and answers on the floor of the House when Mr. Jinnah was speaking yesterday made it abundantly clear that the original proposal of the Government of India was this, and Government subsequently put on something more, which is the bone of contention today, I mean the protective 5 per cent. duty. Perhaps, my Honourable friend was not in the House when this discussion took place yesterday on the floor of the House. Now, Sir, Government propose to give this additional protection by what they call "special protective duties", which have been generally referred to all

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through this discussion as Imperial Preference; I suggest to my Honourable friends who oppose this Bill on this particular ground, that this House is incapable of giving Imperial Preference, and Government cannot possibly expect this House to give Imperial Preference. Indeed, the Honourable the Finance Member says this much in his speech in paragraph 59: "We do not, and in fact, we could not, ask the Assembly to commit themselves at this stage to accept the principle of Imperial Preference". I ask the House to mark the words of the Finance Member, "We could not". Sir, I think the words are deliberately used. Imperial Preference can only be given according to the Colonial Conference Resolution of 1902, after full protection is afforded to the indigenous industry. The Fiscal Commission's Report, page 120, paragraph 216, has this—the heading is, "The Principles of Imperial Preference": "The points of chief importance which emerge from this Resolution"—that is the Resolution of the Colonial Conference of 1902—"are"—I will read, Sir, the most important one—"that there was no question of the Dominions abating their protectionist policy, and no idea of establishing free trade within the Empire". It is admitted, Sir, that if the protection given by the Government of India with their proposal to the Cabinet was alone to be given, it would not be adequate protection. It was 4 per cent. increase in revenue duty and 3½ annas minimum on grey goods, and Government have come to the conclusion that this is not adequate. And Imperial Preference can only come *after* adequate protection is assured. Further Sir, Condition No. 4 says that, "The preference given should be wholly voluntary, and should not go beyond what the circumstances of each unit might reasonably permit". What I wish to point out is that it should not be protection given under a certain set of circumstances, which are either created or which happen to come about. It should be something offered voluntarily by the country offering preference. And the last condition, Sir, is that the United Kingdom should, if possible, grant certain preference in return. None of these, I submit, exist today. But I was a little surprised when my friend, Mr. Birla, emphasised the Imperial Preference aspect. Mr. Birla, Sir, is one of the five Indian Members of that Commission who signed the Minority Report. At least two names out of these five command great confidence in the Indian public today, and they are the names of my friend himself and of the distinguished Chairman of that Commission, Sir Ibrahim Rahimtulla, whose name is well known throughout the length and breadth of this country. The Minority Report, Sir, in Chapter IV, under the heading "Imperial Preference",—my friend himself is a signatory to it—says this:

"The principle of Imperial Preference implies the uncontrolled power of initiating granting, varying and withdrawing preference from time to time, consistently with each country's interest and on lines which are not injurious to itself. India must therefore possess the same supreme powers as are enjoyed by the Dominions before Imperial Preference can become for her a matter of practical politics. India has not yet reached Dominion Status."

**Mr. Ghanshyam Das Birla:** May I inquire if the Honourable Member wishes to suggest that this is something worse than Imperial Preference?

**Sir Purshotamdas Thakurdas:** I am telling the House that what is before the House is not Imperial Preference according to his Minority Report.

**Mr. Ghanshyam Das Birla:** It is something worse than that?

**Sir Purshotamdas Thakurdas:** I will come to it presently if the Honourable Member will have a little patience.

Then, Sir, a little later they say more in the same strain. But I must not take very long in my speech, and I may take it for granted that this part of the House knows what is in the Report. I think I have quoted sufficiently to point out that, even according to the Minority Report of my friend, what is being offered today and what is under discussion in the House is not Imperial Preference as defined in the Report.

Now, Sir, the policy followed by the Government of India, so far, is not a policy of "protection", nor as my friend the Honourable the Commerce Member reminded me earlier this Session, is it full fledged protection. Imperial Preference can only, as far as I am able to understand the Colonial Conference Resolution, come in after full protection is assured to the industry concerned. The policy of the Government of India is of protection with discrimination.

Now, I wish to ask my friends of the Nationalist Party whether it is not wrong to apply the term Imperial Preference to this, for the simple reason that India is not independent enough in her own house to enjoy that privilege, and secondly, because there is nothing that we stand to gain today from the United Kingdom in return for this concession which the Government of India are offering to the United Kingdom.

**Mr. K. C. Neogy:** Is it not the case of Government themselves that, so far as fiscal matters go, India does enjoy the position of a Dominion?

**Sir Purshotamdas Thakurdas:** I am not here to defend the policy of the Government. I am only trying to put before the House the way I read the position in this Bill. My friend's question perhaps is meant for the Treasury Benches, and I am sure the Honourable the Commerce Member will give him a satisfactory reply if he can.

There is, Sir, further this question. Many in this House feel, and indeed they have said so, that they do not wish the relations of India in any way antagonised with either Japan or Italy or Holland, or indeed with any other country which exports piece-goods to India. Now, I ask Members on this side of the House if they have any voice today in connection with India's relations with any foreign powers? When Imperial Preference can be given by this House, will not the House consider the question of the existing commercial treaties and the developments, both international and others, perhaps of a serious nature, which may result as a consequence of their policy? Can the House today be said to be responsible for it? I am sure every Honourable Member who is opposed to this will at once say that we are not and we cannot be responsible for it, because we have no voice in it. I am only mentioning this in order to bring home my point that the idea of saying that what is being offered is Imperial Preference is wrong. It may be, Sir, a very convenient method of expressing what some have in mind. I wish to make it clear, Sir, that there is no Imperial Preference which can be given by this House in the present condition of India's fiscal policy, and in the present condition and position of my friends and the elected Members in this House.

**Mr. Vidya Sagar Pandya:** By what other name will the Honourable Member call this difference of 5 per cent. in favour of Lancashire, if it was not preference?

**Sir Purshotamdas Thakurdas:** Sir, I therefore conclude that this is not Imperial Preference as it should be understood. All the same it metes out special treatment to U. K. goods. Government say that these U. K. goods do not compete with Indian goods. Those who are opposed to this Bill say that they do compete. Government point out that this measure is not intended by them to help the expansion of India's textile industry but only to enable it to live and escape the crisis. It is devised, according to the Government, as an emergent measure. At the worst, therefore, the measure—that is before the House can be in force for only three years, and it can be modified at the end of three years. Granting that the burden on the Indian consumer is higher to the extent of the protection conferred on the United Kingdom, the proposition, simply put, reduces itself to this—is it advisable for this House to save the Indian textile industry in which—according to Mr. H. P. Mody—about 100 crores of capital is invested, from further depreciation for a limited period of three years, with the extra burden which may be thrown, or which will be thrown, if you prefer it, on the Indian consumer by this protection offered by the Government of India to the United Kingdom? The worst charge against the Bill can be that it affords protection to U. K. industry, simultaneously with the Indian industry. This Assembly must weigh the scales with this and decide which is the heavier of the two scales. I hope that my Honourable friends who interrupted me to ask what this was if not Imperial Preference will be satisfied that I have, at least, put forward the issue in a clear and unmistakable manner.

**Mr. Ghanshyam Das Birla:** I have no dispute if the Honourable Member wants to call it protection to U. K.

**Sir Purshotamdas Thakurdas:** You can call it that. I will not differ about the wording. If my Honourable friend wants to call it in the way he has called it, I will not take exception to it. I want to have the issue as clearly put before the House as possible, and let us then understand whether as practical business-men, those who wish well of the Indian textile industry can come to some common conclusion.

**Mr. Amar Nath Dutt** (Burdwan Division: Non Muhammadan Rural): There are idealists here.

**Sir Purshotamdas Thakurdas:** I beg your pardon. I had overlooked you. In the peculiar circumstances in which the industry is placed at present, my Chamber thinks that protection should be afforded to the Indian textile industry. This in short is the question and there is no fear of a precedent in this connection being quoted later.

I agree that, if the industry were in a position to stand further trial, it may be desirable for it, as my Honourable friend Mr. Birla recommended, to oppose this form of protection in the hope that, if the Indian textile industry refuses this protection now and waits for a few months longer, they may get more. Now, Sir, I know that my Honourable friend is himself engaged and interested in this industry, but I also know that there are representative bodies interested in this industry direct, speaking in the names of, shall I say, 75 per cent. of the mills interested in the textile industry all over India. These bodies inform us, and indeed Mr. Mody has definitely said so on the floor of this House, that it would be dangerous to expose this industry to further onslaught and competition from abroad. In short, the position therefore is this. Does the Assembly make the

economic aspect of the problem subordinate to what may be the political aspect of it? I understand, Sir, that socialism says, where we can progress with the present order, it may be achieved; and I understand that communism preaches—Bring about political revolution first and then or rather thereafter try to secure the economic equality. For business men it would not be unpatriotic nor would be inexcusable if they decided that the principle of socialism might be accepted, especially when, as in this case, it is for a limited period of three years. I feel, Sir, that I shall at least be credited with having put the reasons why my Chamber have decided to favour this Bill in a manner which is impartial and which is not clouded by any other issue.

**Mr. T. Prakasam** (East Godavari and West Godavari *cum* Kristna: Non-Muhammadan Rural): Is it impartial?

**Sir Purshotmdas Thakurdas**: That is for the House to judge. I do not think I need repeat that it is so. All I can say is, that I have honestly tried to think over it, most seriously since the Budget was presented and with great oppression on my mind, at times, and I have tried to put before the House what strikes me till now, according to my limited capacity, as a fair presentation of the problem.

Sir, it must, I am sure, have struck the Honourable Members on the Treasury Benches, "Why all this opposition to this Bill if the Bill is conceived according to them in the best interests of the Indian industry and is to be in force only for three short years?" Let me tell them that the real reason is the past history in connection with the textile imports from the United Kingdom into India, which is dark and not such as to make Indians not suspicious. I do not wish to give any instances in this connection. I know it is not pleasant to many to hear them but I cannot help quoting Sir W. Joynson Hicks (now Lord Brentford) who said, some time back, and I am quoting from an extract which I came across in the *Bombay Chronicle*. Sir W. Joynson Hicks is reported to have said this:

"We did not conquer India for the benefit of the Indians. I know it is said in missionary meetings that we conquered India to raise the level of the Indians. That is can't. We conquered India as the outlet for the goods of Great Britain. We conquered India by the sword and by the sword we should hold it. I am not such a hypocrite as to say that we hold India for the Indians. We hold it as the finest outlet for British goods in general and for Lancashire cotton goods in particular."

**Dr. A. Suhrawardy** (Burdwan and Presidency Divisions: Muhammadan Rural): That is why we ought to give preference to Lancashire?

**Sir Purshotmdas Thakurdas**: I am leaving the decision to you.

**Dr. A. Suhrawardy**: Thank you.

**Sir Purshotmdas Thakurdas**: With this mentality of British statesmen, with the history of Great Britain regarding the cotton textile industry till now, is it any wonder that we in this House, and in fact the whole of the Indian public, should fight very shy of whatever may be devised, with whatever high motives and ever so innocently, by my Honourable friends on the Treasury Benches? There may be a good deal in my friend Mr. Birla's apprehension that, once protection is allowed to the United Kingdom in the Indian market, it may not be easily removable. The course of this will depend upon the future relations of India and England. If it is a contented India under the British Crown, I expect that there will be room for plenty of deliberate Imperial Preference for U. K. goods with

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the free vote and goodwill of representatives of the people of India in this House hereafter. If it is a depressed India in bondage of England, then all that I can say is, God help both England and India.

Sir, I have now put before the House my frank reasons for supporting this Bill. I wish to quote, in support of what I have said, from a telegram which I received from my Chamber, and I will only quote one or two sentences from it. The telegram says:

"If there was any guarantee that adequate protection would be forthcoming immediately without any element of what is called Imperial Preference, Committee would have unhesitatingly accepted it in preference to the proposals put forward (by Government). Committee feel that they have been compelled, in absence of any alternative, reluctantly to accept Government proposals rather than see this national industry in which all parts of India are interested, wiped out of existence which would be a calamity not to Bombay city alone but to the whole country."

I think, Sir, after this, there should be no question of the motives of those on this side of the House who support this Bill. I have, for purposes of my remarks today, taken for granted all the worst apprehensions of my Honourable friends who oppose this Bill. Similarly, my support to this Bill is under circumstances which are unavoidable.

Sir, the unenviable position of the Indian industry could not have been better exemplified than by what has been clear on the floor of the House during the last three days. It has been necessary for some representatives of Indian commerce and industry to get up from their seats and plead before their fellow Members here, whose solicitude for India's national industry cannot possibly be questioned, for support of this Bill. I suggest that the villain of the whole piece is not the Indian millowner but the existing transitory stage of the reforms and the unenviable position in which we are from the constitutional point of view. Sir, the approval of the Legislative Assembly, to this Bill, if secured, must be regarded as the inevitable result of the circumstances in which we are placed, and must be regarded as one which left no option to those who support this Bill. But there is a touch of morbid humour for some and humiliation for others in the discussion before this House. When a part of the country is actively pleading for independence and for boycott of foreign cloth, we in the Legislature are being asked to give protection to a British industry as it has been called, and, indeed, is bound to be in the eyes of the public outside. What a moment to choose for such a gesture to Great Britain! If this gesture of goodwill from the Government of India to the Government of Great Britain, Sir, is to be useful, to the United Kingdom, it is not unlikely to foment agitation in this country for not only boycott of foreign goods but, I am afraid, for boycott of British goods. I am sorry for the psychological moment which has been selected for this measure. I very much wish, Sir, that it were possible for the Government of India to avoid this unfortunate moment for the expression of this friendly gesture. As far as we are concerned, I can assure my Honourable friends on my right that there is no pleasure to anyone of us to support the Bill and to vote in a different lobby. It is there that we feel that we are the victims of the circumstances in which the country and the constitution of the country at the moment is. If there is any feeling which is uppermost in the minds of Indians who vote for this Bill, I should not be surprised if it is a feeling of humiliation because they are the victims of the circumstances in which the country is placed today.

Sir the measure is said to be an emergency measure, designed to give immediate relief, and an immediate stimulus to the industry. Will it be effective? Who are the best customers of the productions of Indian mills, and even of Lancashire mills? I have no doubt the reply can be only one, namely, the masses. The Right Honourable Mr. Snowden, Chancellor of the Exchequer, a few months back, is reported to have said somewhere that, if he could only increase the purchasing power of the masses of India by something, however, tiny and small, he would get all the custom which might be necessary in order to keep the mills in Lancashire going. I propose to quote to the House from a speech delivered by the Marquess of Linlithgow at Rangoon on 7th November, 1927, when he was in India. The Noble Marquess said:

“Raise the purchasing power of the ryot, and in one stroke you will give to the industry, to manufactures, and to commerce in general an extended field for service. The prosperity of the factory is linked indissolubly, and to their mutual advantage, with the productivity of the field. Industry requires raw materials and markets for finished products. The cultivator sees in a prosperous industrial population an ever increasing market for the produce that he grows.”

I wish to ask whether, with all the protection which is ensured either for Indian manufactures or for British manufactures, Government have made sure that there is, amongst the customers of these two, which at present appear to be the object of solicitude of the Government of India, that power which can really keep these two going. It strikes me that we are, or rather the Government of India are, following a policy which I cannot put in more apt words than the words which you, Mr. President, at least can fully understand:

“*Agai dor, peeché chor.*”

(The crowd runs ahead, the thief is behind.) In ordinary course, a crowd follows a thief in order to catch him, but in this case the crowd runs ahead to catch the thief, who is behind.

What about the purchasing power of the masses, the royal class of customers both of Lancashire and the Indian textile industries? I close my remarks with this question which I particularly direct towards my Honourable friends on the Treasury Benches, Sir George Schuster and Sir George Rainy.

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, the Honourable the Deputy Leader of the Independent Party, with a great deal of hesitation, asked and answered the question: “Who is the villain of the piece?” He said that it was not the mill-owner, and I agree with him. The millowner is the victor; he is not the villain. And even so the victims are the masses for whom he  
12 Noon. pleaded so apologetically. The villain of the piece, if I may say so without meaning much offence, without meaning any offence, is the Honourable the Commerce Member. He is the villain of the piece for this particular reason. Whenever he wants to do something for a national industry—and I am willing to grant that it is a national industry—he puts the nation on the horns of a dilemma. The capitalists are a part of the nation, even as the followers of Diwan Chaman Lall! But the Honourable the Commerce Member delights to put the entire nation on the horns of a dilemma. He says, if you want protection—and we most certainly want protection for the Bombay industries,—then you must at the same time be prepared to give the “special protection” for Lancashire! That is



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the whole problem. Protection for the millowners of Bombay and special protection for Lancashire! I wonder whether the Honourable the Deputy Leader of the Independent Party will accept that descriptive phrase "special protection". Obviously the Honourable the Deputy Leader of the Independent Party is not listening to what I am saying. Well, Sir, after having made a speech, Parliamentary formality expects him to answer a question from a subsequent speaker.

**Sir Purshotamdas Thakurdas:** I am sorry.

**Mr. C. S. Ranga Iyer:** I am glad that the Honourable the Deputy Leader of the Independent Party is willing to answer my question. I wanted to ask him whether he is prepared to agree to that description of what I may call "special protection for Lancashire". He does not like the word preference, but is he also prepared to call that "special protection".

**Sir Purshotamdas Thakurdas:** It has been so-called by the Honourable the Finance Member.

**Mr. C. S. Ranga Iyer:** I know that the Honourable the Finance Member has called it "special protection", but I wanted to know if a representative of the great commercial interests in India is also willing to call it "special protection", because I attach equal importance to his description of the same thing.

**Mr. M. A. Jinnah (Bombay City: Muhammadan Urban):** Surely the Honourable Member can see that in the Bill itself. Surely the Bill itself is very clear and if the Honourable Member has read it, he would see that it does impose a differential duty.

**Mr. C. S. Ranga Iyer:** Therefore we have also the Honourable the Leader of the Independent Party agreeing to this.

**Mr. M. A. Jinnah:** The Bill says so. It is not my opinion.

**Sir Purshotamdas Thakurdas:** I am always willing to give any information which I can to the Honourable Member, but I am afraid, Sir, that I am not able to follow his question clearly. I have put, from the practical point of view of a mere merchant, my view of the case and I have nothing further to add to what I have already said.

**Mr. C. S. Ranga Iyer:** I know the Honourable Member has nothing further to add. I was only asking whether he agreed to the description of the kind of protection given to England, as a special protection—protection on the one side and special protection on the other. I should like to know why we should be asked to grant "special protection" to England. I am quite willing to grant protection to the Bombay industries. That is what the Leader of my Party wants. I cannot understand, however, why either the Honourable the Finance Member or the Honourable Members on the Independent Benches should ask us to grant special protection to England.

**Sir Purshotamdas Thakurdas:** I am very sorry that my Honourable friend thinks that I agree with or approve of what the Government are offering. I have tried to put forward my view, and if it suits my Honourable friend, Mr. Ranga Iyer, to distort my view, I cannot help it. He can go on repeating his own version.

**Mr. C. S. Ranga Iyer:** I beg the Honourable Member's pardon, if he thinks I am repeating my own version. I am only stating a matter of fact which the Honourable Member cannot deny, namely, that he is in agreement with this Bill.

**Sir Purshotamdas Thakurdas:** I am not.

**Mr. C. S. Ranga Iyer:** His vote will show.

**Sir Purshotamdas Thakurdas:** If I vote for this Bill, if I support this Bill, I support it under circumstances which leave me no option.

**Sardar Kartar Singh (East Punjab: Sikh):** He is not a free agent.

**Mr. C. S. Ranga Iyer:** I must, in all fairness, admit that the Honourable the Deputy Leader of the Independent Party is supporting this Bill under circumstances over which he has no control. But I should like to know whether the special circumstances that prevail and which compel the Leader and the Deputy Leader of the Independent Party to take a particular course of action—I should like to know whether the special circumstances that govern them will also be taken into consideration by those in England who are carrying on a propaganda for special Imperial Preference. The Honourable the Deputy Leader of the Independent Party quoted, by way of justification of the Government measure, the opinion of the Honourable the Finance Member, saying that it was not Imperial Preference. Of course my Party has through out maintained, and I do maintain, and I shall presently prove, that it is Imperial Preference. But I am first willing to take my stand on the ground which the great Leader of the Independent Party enunciated yesterday, and which his principal lieutenant in this House endorsed today. And, Sir, the Deputy Leader of the Independent Party said that it was not Imperial Preference and by way of authority. . . .

**Mr. M. A. Jinnah:** I think the Honourable Member is misrepresenting, and I do appeal to him, to his sense of fairness, that he should not go on repeatedly misrepresenting what I have said, and if he has not understood what I said, I should like him to get a copy of that speech of mine and carefully read it.

**Mr. C. S. Ranga Iyer:** I accept the Honourable Member's challenge. I am not misrepresenting him. I shall read what he said.

**Dr. A. Suhrawardy:** Not misquote him either.

**Mr. C. S. Ranga Iyer:** I am not misquoting, nor misrepresenting. He said that, "Imperial Preference can only be either a reciprocal arrangement between two free nations or a voluntary gift from one to another" and now his Deputy quoted the Honourable the Finance Member as having said that it was not Imperial Preference and he. . . .

**Mr. M. A. Jinnah:** Sir, that is not my speech. I do not know what the Honourable Member is quoting from.

**Mr. C. S. Ranga Iyer:** The quotation that I just read out is from the Honourable Member's speech.

**Mr. M. A. Jinnah:** Where did he get it from?

**Mr. C. S. Ranga Iyer:** I got it from the local newspaper report (Cries of 'Oh! Oh!' and Laughter.)

**Mr. M. A. Jinnah:** I appeal to the Honourable Member, who has got considerable experience as a journalist, how speeches are reported in the newspapers.

**Mr. C. S. Ranga Iyer:** It is the report of the Associated Press.

**Mr. M. A. Jinnah:** It is all the same.

**Mr. C. S. Ranga Iyer:** I am glad that the Honourable Member has repudiated the report of his speech by the Associated Press, namely, his interpretation of Imperial Preference. I thought, Sir, the Honourable the Leader of the Independent Party almost said yesterday that this was not Imperial Preference.

**Mr. M. A. Jinnah:** I never said that. This is deliberate misrepresentation now. I have said it over and over again that I never said that.

**Mr. C. S. Ranga Iyer:** Then, I am glad that the Honourable the Leader of the Independent Party concedes that this is Imperial Preference. Now that he concedes that this is Imperial Preference, my difficulty has been minimised. Are we or are we not to vote for Imperial Preference? So far as my Party is concerned, it will not agree to it and so far as the country is concerned, it will not agree to it either.

Now, I shall deal with what the Honourable Member's Deputy has said. He said, it was not Imperial Preference. The Honourable Leader of the Independent Party (Mr. Jinnah) did not say so. Therefore he will have to settle his dispute with his own lieutenant.

**Sir Purshotamdas Thakurdas:** Leave it to us, and proceed with your speech.

**Mr. C. S. Ranga Iyer:** Mr. Jinnah does think it is Imperial Preference, while Sir Purshotamdas Thakurdas thinks it is not, I am now concerned only with the latest speech on the subject and I say that this is Imperial Preference, because, Sir, Imperial Preference is preference shown by one part of the Empire to another of the Empire, against a country which does not belong to the Empire. That is Imperial Preference pure and simple. In this there are three countries involved, and all the three countries are mentioned in the Statement of Objects and Reasons printed and presented to us relating to this Bill. One is Japan, the other country is India, and the third country is England. I would put it like this, first England, second India and thirdly Japan. Now, India is a part of the British Empire, England is a part of the British Empire and Japan is not a part of the British Empire.

India gives, under this Bill, preference to England, India discriminates against Japan. This is pure and simple Imperial Preference. The Honourable representative of the Bombay Mill industry interpreted, if I am not misrepresenting him, that Imperial Preference meant reciprocity of obligations.

**Mr. H. P. Mody:** Reciprocity of benefits.

**Mr. C. S. Ranga Iyer:** I am willing to be corrected. There is reciprocal benefit accruing both to the millowners of Bombay and the millowners of England from this Bill. (Laughter.) Bombay gets protection. The mill-owners in England, according to the official language, get special protection.

Therefore there is reciprocity of benefits. Now then according to his own definition here is a case of Imperial Preference pure and simple. I do not know if Mr. Jinnah said yesterday, at least he is reported to have so said, that Imperial Preference must be in the nature of a voluntary gift.

**Mr. M. A. Jinnah:** Sir, may I instruct the Honourable Member? I merely stated that, as I understand the principle of Imperial Preference, it can be either as a reciprocity or as a voluntary gift. That was merely my idea of what I understand to be Imperial Preference. I said nothing more and nothing less.

**Mr. C. S. Ranga Iyer:** I am glad to know that. The Honourable gentleman's idea is quite correct. For the present case, it is crystal clear. Imperial Preference is not a voluntary gift, but an involuntary surrender on the part of those. . . . (The rest of the sentence was drowned in laughter.) And in spite of the very reasoned, the very appealing and the very enthusiastic speech which he delivered, I do not think the Deputy Leader of the Independent Party can make us agree with his dictum that this is not Imperial Preference. Even though he has quoted his own Chamber in regard to that,—and he has quoted it in the best interests of the country, of which I have no doubt—even though he has quoted the Honourable the Finance Member to assure this House that this is not Imperial Preference which he is anxious we should not be committed to, I have one very great difficulty, and that is this. We are dealing with England. We had the assurance of the Honourable the Commerce Member yesterday that this action has been taken by Government on their own initiative and without any inspiration from outside. I do not for a moment suggest that he was inspired by the great propaganda that was being carried on in England by the megaphones of Imperialism, the *Daily Mail*, the Rothermere and the Beaverbrook groups, all of which wanted Empire free-trade and all of which have merged themselves finally in the party of Mr. Baldwin, the principal plank on whose platform is nothing else and nothing more than Imperial Preference. Sir, I am reading from the *Morning Post*, the official organ of the Conservative Party in England:

"The official policy of the Conservative Party, as summed up by its leader Mr. Stanley Baldwin, is, safeguarding, Imperial Preference, Imperial rationalisation and Imperial co-operation."

I do not know whether there is rationalisation or Imperial co-operation here. It is not certainly co-operation between a dependency and a country which is governing it at present. It is most certainly Imperial Preference.

**Mr. M. A. Jinnah:** It is "India, Peace or War?"

**Mr. C. S. Ranga Iyer:** Yes. This is certainly Imperial Preference. (Laughter.)

Sir, I also find in the *Morning Post* the die-hard correspondent at Delhi of that die-hard paper describing what the significance of the passing of this Bill would be; and he says:

"If this Imperial Preference in this amended form is accepted by the Assembly, it is not because the unofficial leaders here respect the mandate of the present Socialist Government, in whom they are beginning to lose confidence, but because they wish to help the Government of India by endorsing the plea of the Right Honourable Stanley Baldwin in behalf of Empire preference."

[Mr. C. S. Ranga Iyer.]

Well, Sir, I know the manner in which propaganda has been carried on in England on behalf of Imperial Preference. Sir Purshotamdas Thakurdas, whom I do not find now in his seat, will not be quoted by the great Conservative Party. . . . .

**Mr. M. A. Jinnah:** Sir, I may inform the Honourable Member that he has deputed me here to look after his interests. (Laughter.)

**Mr. C. S. Ranga Iyer:** The Leader of the Independent Party, who is acting as deputy for his Deputy Leader (Laughter.) will I hope correct me if I am not correctly representing Sir Purshotamdas Thakurdas. Sir Purshotamdas Thakurdas denied on the floor of this House, and quoted in support of his denial, the Honourable the Finance Member that this is not Imperial Preference. But when the Conservative Party, from whose official programme and policy I have just quoted, launch their campaign in England, I do not think even the Leader of the Independent Party will say that the speech of his Deputy will be quoted or even be recognised during the great election campaign in England, or for that matter, when the Conservative Government comes to power. I do not want that Conservative England should have an opportunity of saying, at the forthcoming election to the great democracy of Britain, that India is committed to Imperial Preference. The Conservative Party, I must frankly say, is not our friend at present. The Leader of the Conservative Party had most certainly taken a friendly attitude, but the very fact that he has surrendered since to the Rothermere gang and the Beaverbrook gang only shows that the real party, so far as India is concerned, is not the Conservative Party but the Conservative die-hards. The die-hards are the salt of the earth (Laughter.) and they are certainly the salt of the Conservative Party. And what is their programme? Their policy is, "No more surrender to India", "Imperial Preference" and so on and so forth. I am quoting this from the *Nation and Athenæum* which has published an extract from the party programme, "Imperial Preference and no more surrender to India." This is Lord Rothermere's manifesto on behalf of his party, which has since merged itself in the Conservative Party after the explanation that Mr. Baldwin gave, when he explained Empire free-trade as the goal of his policy and that for the time being he would take his stand on Imperial Preference.

**Lieut.-Colonel H. A. J. Gidney** (Nominated: Anglo-Indians): Lord Rothermere had not joined with the Baldwin or Conservative group when he made the statement, "no further surrender to India". This he stated months before he joined Mr. Baldwin and to attribute either to Mr. Baldwin or the Conservative Party this statement is to mislead the House and has a sinister motive.

**Mr. C. S. Ranga Iyer:** Mr. Baldwin issued the following invitation to Lord Rothermere, published in the *Morning Post* of February, 25. He said:

"No political party in this country can at the present stage adopt Empire free-trade which is no doubt the goal that we have in view. But the only business-like method with which to start the journey towards the great ideal is that contained in the official Conservative policy of safeguarding, Imperial Preference." . . . etc.

After this memorable appeal of Mr. Baldwin to the Rothermere and other groups, they merged themselves in the Baldwin group, and we have to deal with the official policy of the Conservative Party and the goal of the Rothermere group. Taking these two things together, I will not be a party to the policy of making this Assembly play the part of a handmaid to British Conservative Imperialism. And that will be the interpretation that will be put, that is being put, that has already been put on it, because the *Times*, in an editorial, appealed to India to pass this measure of Imperial Preference with a view to get the sympathy of England. I do not propose to ask for the sympathy of England by giving them a bribe, for this is nothing more or nothing less than a bribe. (Hear, hear.) But at the same time I fully grant the very difficult position in which the representatives from Bombay are placed. Sir, the very tactful, lucid, clever speech of the Honourable the Leader of the Independent Party yesterday made it quite clear to us that he was supporting this Bill, not because he liked the opportunity to discriminate in favour of England, but because he was afraid that this Bill would be wrecked if it was amended in the manner in which the Leader of my Party sought to amend it. It is not because he is in love with this Bill, but he feels that he is on the horns of a dilemma and he feels that, somehow or other, he must help the Bombay industry. I feel, Sir, that we, who are for a policy of protection, so far as the industries of India are concerned, are in the same difficulty. There is no getting away from it. (Hear, hear.) Just as they have weighed the pros and cons of the question and come to the conclusion that it is necessary to sacrifice this bit of idealism for what is practical, even so we have come to the conclusion that it is necessary to sacrifice what seems a little practical lest we should be interpreted as having committed ourselves to a policy of Imperial Preference fraught with danger to the future of our industries. The assurances of the Honourable the Finance Member may be very good. But they are not binding on him, because his constituency is not in India, but his constituency is, Sir, nothing more than the great British Government. For these reasons, it would be impossible for us to give our support to what is Imperial Preference. I say it is Imperial Preference, even as the Deputy Leader of the Independent Party said it is not Imperial Preference. I am sure, if it is interpreted as Imperial Preference, he will be the first man in India to stand up and emphatically protest against it, and it is with a view to guard himself for the future, that he himself has said it is not Imperial Preference. (Applause.) I quite appreciate the very diplomatic, very far-reaching effect of that protest against the future interpretation of this policy as Imperial Preference. Now, Sir, to the official denials.

They said they are not asking this House to commit itself to Imperial Preference. I do not attach much importance to what they ask and that they do not ask. For instance, I do not accept their denials and confirmations. They deny that we are the representatives of the people. They deny that we are organised in and out of this House. They say we are a very microscopic minority. We do not accept their denials. For my part, I refuse to accept their denials that this is Imperial Preference, for the simple reason that their denial is not binding on the British Government; mere official denials cannot liquify hard facts in regard to the Indian policy.

Lastly, with regard to the tariff, we must be grateful to the Leader of the Independent Party to have quoted to this House the authority of the

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Secretary of State. We must also be grateful for the ruling that you Mr. President gave on that point and again when you invited the Members of the Executive Council to assimilate themselves to the position of Ministers. If they were Ministers, if they had a constituency, if they had an election to face, I am sure they would not have been a party to a policy of Imperial Preference. They would not have taken the position that this is not Imperial Preference. I do not for a moment say that their intentions are not true. They may honestly feel and say this is not Imperial Preference, but they have no power over the forces that preside in their own country and they have no power to interpret away the interpretations of their superior authority. Sir, tariff autonomy has not been granted. It is just as well that Mr. Wedgwood Benn knows that tariff autonomy has been denied on the floor of this House by the Commerce Member when he repeated his own view in the course of the exceedingly convincing speech of the Honourable the Leader of the Independent Party on the question of tariff autonomy. What did the Honourable the Commerce Member say? He said, "I have come to this House with my mind made up. I have come to this House either to endorse this Bill if it is passed in the manner in which I want it to be passed, or I have made up my mind to put it into the waste-paper basket. If you amend it as the Leader of the Nationalist Party wants it to be amended, we will have nothing to do whatever with the Bill. If on the other hand you amend it as the very intelligent late Member of the Swaraj Party has amended it, if it is amended in that subtle manner without affecting the principle of the Bill, then I will accept the Bill". That is not tariff autonomy. That is not consulting the House. That is holding a pistol to the heads of the Members of this House and telling them, "Take this Bill or go without protection for your Bombay industries". (Interruption.) The Honourable gentleman who represents the Anglo-Indian community in this House says it is "tariff monopoly".

**Lieut.-Colonel H. A. J. Gidney:** Tariff monotony.

**Mr. C. S. Ranga Iyer:** He is so monotonous that he says this is tariff monopoly. (*An Honourable Member:* "Tariff monotony.") Call it monopoly or call it autocracy or call it anything you like. Tariff autonomy does not exist. It is much better that the socialists, sitting on the Treasury Benches in Westminster, should abstain from believing in things that are not true. Tariff autonomy has not been granted to us, and it is good that His Majesty's Government have been taught by the Honourable the Commerce Member, an important Member of the Viceroy's Executive Council, that His Majesty's Secretary of State was talking through his hat. Sir, it is a repudiation of the Secretary of the State by a Member of the Viceroy's Executive Council. Nothing more and nothing less than a strong, clear, forcible, emphatic repudiation of His Majesty's Secretary of State who, to see the Indian feelings, perhaps, said that, "Tariff autonomy has been granted to India", "Dominion Status is in action". Well, nobody in this House has said we are a Dominion, or that there is Dominion Status in action. It is good, it is necessary, that the Socialist Government should know that what they are trying to do in England is being undone in this part of the world, and it is undone in letter and in spirit in this important measure. They are giving us Imperial Preference and they are saying it is not Imperial Preference. Soft words cannot liquify hard facts, and whether the Bombay industries are going to be benefited or not, I am not

going to take my stand on the question of Imperial Preference to which I am not going to be a party. Sir, yesterday a nominated Member from Bengal in a very energetic speech (*An Honourable Member*: "Madras") a nominated Member, the Editor of the *Bengalee* of Calcutta (*An Honourable Member*: "He comes from your own province."), in a very energetic speech, took exception to the presence of distinguished representatives of another friendly country in the neighbourhood of this House. Sir, in the House of Commons, when England had resumed diplomatic relations with Russia, it was a pleasure to see distinguished representatives of that great country in the Distinguished Visitors Gallery. We have not cut off diplomatic relations with Japan. That ought to be sufficient for a nominated Member of Government. (Laughter.)

Sir, the Honourable the Deputy Leader of the Independent Party referred to the boycott of British goods. He feared, I think, that British goods were going to be boycotted by way of protest against the passing of this measure—I hope I am representing him correctly—while the responsibility for sowing the dragon's teeth will be on those who vote for this proposition. (Applause.)

**Mr. K. B. L. Agnihotri** (Central Provinces Hindi Divisions: Non-Muhammadian): Sir, I rise to oppose the Bill. My opposition is not based on the ground that protection is being granted to the cotton mill industry; on the contrary, I have been all my life a supporter of protection being granted to the cotton mill industry in India. The cotton industry in this country has been a great national industry in the past, is a national today, in spite of what my Honourable friend, Mr. Chaman Lall, may say, and it will continue to be a national industry in future. I do not agree with the view of my Honourable friend, Mr. Chaman Lall, who has got advanced ideas, that an industry is not a national industry unless it is nationalised. That is not the argument that I am going to advance. I consider that every industry, which employs millions of people, and which adds to the national wealth of the country, is a national industry, and that to support such a national industry should be our primary duty in this country. Now, if I make any opposition today to this Bill, it is because it involves the principle of Imperial Preference. Not only that, this Bill is a unique Bill, in that it has been brought forward for protecting an industry not in existence in this country. For instance, the manufacture of white, coloured and finer cotton goods is not an industry that exists in the country, according to the note circulated by the Honourable the Commerce Member, and according to the statement in the Report made by Mr. Hardy. So we need not provide any protection for that. Protection should be given to an industry that exists in this country, not that the protection should be given for an industry which does not exist in this country; and that is another reason why I consider that this Bill is objectionable. I am surprised to know that the millowners of Bombay, shrewd as they are, intend to support it. I fail to understand how they have agreed to support it. I find that the Bombay millowners are anxious to get some support from Government in the form of a protective duty. I am afraid it is not going to bring them any protection. I would tell them that it would be better for them not to accept such a gift as this from the Treasury Benches, which might have the effect of ruining their own Indian industry. I shall put before the House later what has been the history of the cotton industry in this country in the past, and what has been the attitude of those who have ever been professing that the interests of this country have always been before them, that they are the



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trustees and that we should have trust in them. I will also say a little later how, even in spite of the 8½ per cent. cotton excise duty, the Bombay cotton industry survived, not only survived but gained in strength. That will show to them that the depression which the industry is feeling at the present moment will not be a long lived one, and they should not be despondent. What is offered in this Bill is not a real protection; what we have before us is an Imperial Preference with a loaded pistol from the Government Benches, when they say, "Either have this protection with Imperial Preference, or you go without protection at all". Could we not do without such protection? For many years our industry has gone without such protection, and could we not wait until we are in a position to have real protection ourselves? Supposing we accept, what would be the result? The home industry will suffer, nay, will die out. I have no doubt they are fully aware of Mahatma Gandhi's movement for the production and use of *khaddar*, the improvement and development of the cottage homespun industry, and the movement of boycott of British cloth which is at present in their favour; the Swadeshi movement has been helping the mill industry in the past. The British cotton industry has suffered not only because of the import of Japanese goods into this country, but because of the development of the Swadeshi movement, that gave an impetus to the Indian mill industry. Therefore my humble submission to my friends, the Bombay millowners, would be that they should wait.

**Mr. H. P. Mody:** How long?

**Mr. K. B. L. Agnihotri:** It is a question of time. If they could wait for about 70 years, from 1853, when the first cotton mill was erected in Bombay, if they could brave the situation created in 1895, and in the early periods inspite of the imposition of the cotton excise duty, if they could recover from that position, and not only recover, but develop their mill industry, it goes without saying that they could meet even this present competition from Japan. No doubt the competition was due to Japanese favourable labour conditions; Japanese industries have benefited by women being employed and other favourable conditions. But what do we find today? From the Honourable Sir George Rainy's speech we find that labour conditions in Japan have changed; they have adopted the same Washington hours Convention to which India has subscribed, and in their mills the women are now working for shorter hours. My humble submission therefore would be that the period when full recovery is attained will not be far off. Sir, it may be the convention that our tariff autonomy consists in the joint agreement of this Legislature and the Government. But then part of this Legislature, about half of it, with the nominated Members is the Government itself. Of the elected Members, a majority of them do not want this Bill, which involves the principle of Imperial Preference. Even the Government themselves, in their cable to the Secretary of State, have said that it is solely for revenue purposes that they are imposing this extra duty; in that cable they do not themselves show any preference to England. How can they come forward and say that they shall not agree to the views of the majority of elected Members of this House for that tariff autonomy which has been granted to us and that they shall keep to their views which are different from those of the so-called elected representatives of the country? No Government which professes to stand on the strength of public opinion can for a moment consider this course desirable. Therefore I am of opinion that the millowners

should have no apprehensions of losing protection and should not accept this Bill. Were we to refer to the Bill itself and to the speech of the Honourable Sir George Rainy, it would be amply clear to us that there is nothing beyond the principle of Imperial Preference provided in this Bill. It was quite a correct statement when my friend Mr. Jayakar said the other day, that we might call it Protection or Imperial Preference or give it any other name, but preference there was in the Bill. Simply because the Honourable Sir George Schuster happened to say to this House that it included only a principle of differentiation and he did not use the words "Imperial Preference", are we to conclude from that statement that this does not include Imperial Preference? I may refer the House to his speech in which he himself stated that, at this stage of the Bill, he was not prepared to ask the House to accept the principle of preference. Similarly the Honourable Sir George Rainy also says that we should commit ourselves to the principle of Imperial Preference at this stage. He said, if I were to ask the House to do that, I should be asking the House to rule out of discussion important amendments that were proposed in this House, and he meant thereby that unless and until the amendments are considered by this House, we cannot say that we have committed ourselves to the principle of Imperial Preference. From this it will be clear that this is a measure which involved the principle of Imperial Preference, but though they are not at present prepared to say that Imperial Preference has been accepted by us for the simple reason that, if the Bill is taken to the amendment stage when the amendments are considered, and if the Imperial Preference question is thrown out, the Bill as it would emerge thereafter would not contain the principle of Imperial Preference; otherwise it would certainly contain the principle of Imperial Preference.

Now, looking to the Bill as it is, what do we find? It is clearly stated therein that duty is to be imposed on the goods that are not of British manufacture. It will thus be clear that it is not only a case of Imperial Preference, as has been inferred by us, but it is a clear case of Imperial Preference, which has been embodied in the Bill itself. Therefore, Sir, any argument to the effect that the Bill does not involve any principle of Imperial Preference is futile and cannot be borne out by facts. On the other hand, Sir, I do not know whether the Government Benches have deliberately avoided the use of the term Imperial Preference. They probably scented that there would be a strong opposition on this question of Imperial Preference, and so perhaps they have been careful enough not to use the words Imperial Preference in the body of the Bill. But I would not blame them for this. I would rather blame ourselves that we had not properly attended to the Bill. I do not suspect the Government Benches nor do I accuse them of having deliberately refrained from using the term Imperial Preference in this connection, thinking that, if they used that term, the House would have known from their own statement that this measure would involve the principle of Imperial Preference, and the House could have gone a step further and would not have laboured to find whether or not this Bill involved any principle of Imperial Preference or only laid down a new and novel principle of creating an enactment to protect the industries of England, which England herself is strong enough to protect by enacting her own laws. But the question is whether we, as a mere dependency or as a Dominion in embryo or as a subordinate branch of the British Government, should take this step of providing in our laws an Act to protect the foreign industries that are not in existence in this country or do not compete against ours in this country, as I have

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pointed out, and as will be amply borne out from the Report of Mr. Hardy, as also from the speech of the Government Member. This is a matter for our serious consideration.

My humble suggestion is that we should throw out this Bill, if for nothing else, at least for this, that it involves a novel principle of creating a new law to protect the English industries.

Then, Sir, the second point that I wish to deal with is this. Taking it for granted—and it is a fact—that this Bill involves Imperial Preference, the question is whether we should or should not support it. True, as a dependent nation, we have no voice in the matter. It is true that the Government would certify the Bill if we throw out this present Bill. But if the Government want to have Imperial Preference introduced, let them do so as they did by the imposition of cotton excise duties, and by artificially fixing the exchange ratio; they can certainly protect the English industries and give them the protection that is near to their heart, but we should not be a party to it, not because personally or individually we are averse to it, but the country is against it. Also because we have taken upon ourselves the sacred duty of representing the constituencies which we have the honour to represent. We have also taken upon ourselves the responsibility to put before the Government what our constituencies think about the present measure. The Government have got the eyes to see, but they will not see; the Government have the mind to think, but they will not think; the Government have the heart to understand, but they will not understand. Were anybody with his eyes open to go into the country, he would be able to gauge the true feeling in the country. The Government do not seem to know it. Now, so far as England is concerned, what is the feeling in the country? It is against her; I think there is hardly a man who has not the spirit in him to feel that India should some day, if possible, be ruled by Indians themselves, that so far as possible, India should not remain under the tutelage of any nation, be it howsoever benevolent, as England claims to be, be it howsoever kindly watchful of our interests as England professes to be; but there is no nation in the world, there is no educated man in this country who has not the desire in his heart to have self-government, be it in Dominion form, or be it in form of independence, but every one of us wants self-government, in whatever form it may be. It may be expediency that makes us say what some of us say, but I have not been able to come across any Indian who has once travelled across the seas or who has seen foreign countries, who has not brought with him the idea that India should also be on the same level as England or as any other self-governing countries in the world. Even England has given out the idea that India should, in the fullness of time, have the same equality of status in the Empire as any other part of the Empire has; that is, England does realise that India should also be made an equal partner of the Empire. That may be our ultimate goal, but it is our goal. It may be that our masters or the persons who pose as our trustees or who are managing our country for us may consider that, for the time being we are not fit or competent enough to carry on the administration of our country, but they cannot deny our right to self-government. They have admitted it times out of number that self-government is our goal. Therefore, my humble submission is, if this is the feeling which the Government find about the general position in the country, they should

certainly be able to know what the feeling is about their policy in regard to the industries in this country. Indians from one end of the country to the other know full well that in the 16th and 17th centuries India could hold her own so far as cotton industries were concerned. It was Indian silk and cotton industries that brought the foreigners to the shores of India, which brought the English to our country for trade purposes. It was a providential destiny that linked India and England together, and we have to see how our interests have in the past been watched by the Englishmen who are our trustees. If the preference to England is in the interests of India, in that case alone it should be given. Only in that case the Bill should be allowed to pass. Government Members have been very clever in putting forward this proposal before us. Sir George Rainy said, at the concluding portion of his speech, that had it not been in the interest of India, we would not have taken the responsibility, and no Member of the Government would have taken the responsibility to put this Bill before this House. Now, how are we to know it? The only course open to us is to see from the past history how our interests have been watched in the past, and how they are watched at present. We have to see how our industries flourished in the past, and in what condition they are now. I shall not tire the House by reading long extracts, but I will show in brief what the condition of the country was in the 17th century. India was a cotton-producing country and its muslin was the envy of nations. Its calico or dyed cloth was the envy of the English nation, and England out of sheer envy, prohibited its use in England itself. Coloured goods, fine muslins and fine silk were not only produced in this country in sufficient quantity for the people of this country but used also to be exported to foreign countries. In short, India thrived at that time on the earnings of its cotton and silk industry. How have these things died out? In the year 1769, a letter was issued by the East India Company to Bengal to the effect that, "The Company desired that the manufacture of raw silk should be encouraged in Bengal and that the manufactured silk fabrics should be discouraged and they also recommended that the silk winders should be forced to work in the Company's factories and prohibited from working in their own homes". This letter was written on the 17th March, 1769. This is how our interests were watched in the year 1769. I am quoting from "The Economic History of India" by R. C. Dutt. In the Report of the Select Committee of the House of Commons in the year 1788, it was said that this letter contained a perfect plan of policy both of compulsion and encouragement, which must, in a very considerable degree, operate destructively to the manufactures of Bengal. Its effects must be to change the whole face of that industrial country in order to render it a field of the produce of crude materials subservient to the manufactures of Great Britain. This was how our Indian industries were treated in the year 1769. Further, before the Committee of the House of Commons, as will appear in the Minutes and Notes on the affairs of the East India Company in 1818, pages 463 and 467, one Mr. John Ranking, a merchant, was examined. He was asked:

"What is the *ad valorem* duty on piece goods sold in the East India House in London?"

He said:

"The duty on the class called calicoes was £3-6-8 per cent. upon importation, and if they are used for home consumption there is a further duty of £68-6-8 per cent."

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"There is another class called muslins on which the duty on importation is 10 per cent., and if they are used for home consumption £27-6-8 per cent."

"There is a third class of coloured goods which are prohibited from being used in this country," (*that is, England*) "upon which there is a duty on importation of £3 6s. 8d. per cent., and if it is used for home consumption an additional duty of £78 6s. 8d. The duty on muslins used for home consumption is £31 6s. 8d."

From this you will realise what was the condition of the industry in India at that time, and what embargo was placed on Indian export and import of Indian cotton goods in England and their sale therein. From this we shall find out what was the interest that was taken in our industries and affairs in the year 1789 and up to the year 1813. Even now, in spite of the loud professions to the effect that we are on the same basis as the Dominions, that Dominion Status is working in this country, as Mr. Ranga Iyer pointed out from the speech of the Right Honourable Wedgewood Benn, do we find that it is not a fact. The discussions yesterday between the Leader of the Independent Party and the Government Benches must have shown that there is no tariff autonomy. Although Dominion Status has been said to be in action because it was said India enjoyed tariff autonomy, Dominion Status is only kept as our goal, we have not got it yet, and we may not get it for thousands of years to come. He will be a bold prophet who can say that we will get Dominion Status in our generation and in our time. I am a pessimist in that way. I believe it is not coming in the near future.

Now, let us see what another historian, Mr. H. H. Wilson, says about this. In the Parliamentary Debates of 1813, he said:

"The real object of the Parliamentary inquiry of 1813 was to promote the interest of the manufacturers of England. Napoleon Bonaparte had excluded British manufactures from the Continental ports; the merchants and manufacturers of England were labouring under difficulties; the country was menaced with distress unless some new method of sale for its industrial products was discovered."

Then further on, five years after the date of the Parliamentary inquiry in 1832, another historian, Montgomery Martin, described and  
1 P.M. condemned the commercial policy of the time. About the conditions of our industries he said:

"Since this official report (Dr. Buchanan's economic inquiries in Northern India) was made to Government, have any effective steps been taken in England or in India to benefit the sufferers by our rapacity and selfishness? None! On the contrary, we have done everything possible to impoverish still further the miserable beings subject to the cruel selfishness of English commerce. The pages before the reader prove the number of people in the surveyed districts dependent for their chief support on their skill in weaving cotton, etc. Under the pretence of Free Trade, England has compelled the Hindus to receive the products of the steam-looms of Lancashire, Yorkshire, Glasgow, etc., at mere nominal duties; while the hand-wrought manufactures of Bengal and Behar, beautiful in fabric and durable in wear, have had heavy and almost prohibitive duties imposed on their importation to England."

This was the way in which our interests in the 18th century and in the early part of the 19th century were watched by our self-styled rulers in India.

Further on, on page 300 he shows how our industries fared in this country and why our industries were ruined at that time:

"Had they sanctioned the free importation into England of Indian cotton and silk goods, the English cotton and silk manufactories must, of necessity, soon come to a

stand. India had not only the advantage of cheaper labour and raw material, but also the experience, the skill, and the practice of centuries. The effect of these advantages could not fail to tell under a system of free competition. \* \* \*

Accordingly, England prohibited the import of the goods dealt in by her own factories, the Indian cotton and silk fabrics. The prohibition was complete and peremptory. Not so much as a thread of them would England permit to be used. She would have none of these beautiful and cheap fabrics, but preferred to consume her own inferior and more costly stuffs. She was, however, quite willing to supply the Continental nations with the far finer fabrics of India at lower prices, and willingly yielded to them all the benefit of that cheapness; she herself would have none of it."

This is the way how England protected her own industries, and looked after the interest of India. This is the way, Sir, we wish India should protect her own industries. I wish to tell my Honourable friends, the Bombay millowners, that they should not be impatient. I can assure them that every man who has ever cared to read the economic history of this country shall be prepared to help the Indian cotton industry whatever may be the odds. I, for the matter of that, am prepared even to raise the duty to a higher percentage than what is proposed by the Honourable the Commerce Member, not because it may be hard on the poor consumer, but because it will protect our industry and it will protect the very cotton industry that has died out in the past. It will not only give this country a breathing time but it will give us an opportunity which is badly needed for this country to develop her cotton industry of the finer stuff. What does my Honourable friend the Commerce Member say about this? He says that we are imposing this duty and we are giving protection to England not for the purpose of development in India of cotton industries, in finer stuff, but we are providing this duty for the purpose of protecting the industry which is already in existence. I quite agree that, so far as that industry is concerned there is such need at present. It has braved the storm of the foreigners in the past, it has braved the lull of depression in the past, and it has braved the storm of the high and exorbitant duties that were levied against it. These duties were imposed at a time when this country had been placed in a very low economic position, but the economic history has been taught to us by our learned masters and we have also learnt it well at the feet of our *Gurus* on the other Benches. Would we not, after having learnt this much, come to the help of our own Indian industry when need would be? But, Sir, what was the bone of contention between the English and Indian industries in the past? It was not only the plain grey goods or those goods which were manufactured by not only the weavers but also the women folk in their houses in the villages, but it was the industry that produced finer silk yarn, that produced finer stuff in cotton and that produced coloured goods in this country. These products were the competitors of the foreigners in the trade at that time. It was to protect that industry that we fought in the past, and it is for that industry that, even now, I am prepared to ask the Government to impose even a higher duty if necessary. And I propose to do this for the simple reason that, although it may be a costlier thing to us today, in the future, as the wealth will remain in our own country, it will be for our use and benefit. If we develop the production of finer stuff, it would mean also the employment of more labour. It will give employment to the millions of my unemployed countrymen. It will give employment to those educated classes about which even the Government publication called, "India in 1927-28" has

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said that the unemployment question in the educated classes was severely felt in the country. It is, believe me, very severe and something has to be done to alleviate the distress. People who have received education are not paid enough wages. In fact, their wages do not come up to the level of the wages of the illiterate labourers in the mills of Bombay. Now, if the finer yarn is produced, which requires more intelligence, more educated youths, who are roaming about the country aimlessly and without any work, could be given some labour. It is not only for the purpose of developing that Indian industry, but also for the purpose of finding employment for the Indian youths that I urge on the Treasury Benches to give protection to the Bombay industry. I will later on show that the protection that they propose to give is not enough. Sir, it was that industry of finer stuff, to kill which, to murder which, the English manufacturers in the past fought their utmost. I have so far given to the House the English history up to the period before 1833. Let me show to the House the interest that was taken in our industries from 1833 onwards, say, up to the year 1895.

In 1877, Sir John Strachey, in presenting his financial statement before the Governor General in Council, repudiated the doctrine that it was the duty of the Government of India to think of Indian interest alone and confessed the sentiment that there was no higher duty in his estimation than the duty which he owed to his own country. The Commerce Member said the Bill was in our interests. Sir, I dare not charge the Executive Councillors of the Government of India, who are representing the Government in this House, that they are unpatriotic when they say that. I would not charge them with this, but I would at least say that they have as much the interest of England at heart as they have of this country. It is in the interest of England that on a mere letter or a mere reminder from the British Cabinet about the possible disaster to Lancashire trade that the Executive Councillors of the Government of India thought it proper to give a preferential duty to England. I thus submit, Sir, that, even today, the interest that is evinced in the case of our own industry is apparent enough by this preferential duty that is raised in this country. Now, Sir, I would just put before you what was done by Lancashire to foreign industries about the year 1877. I am quoting from the "Economic conditions in India" by one Mr. Pillai, from page 190:

"While the imports of twist and yarn remained almost stationary in the seventies, the Indian exports went up from 2.01 million lb. (annual average) in the quinquennium 1871-75 to 15.39 millions in the succeeding quinquennium; and though the imports of manufactured cotton goods were steadily on the increase, the Indian exports of cotton manufactures of all sorts rose from 12 million yards in the earlier half of the decade to 19 millions in the latter half."

My Bombay friends will please note that even at that time the mill industry was developing and prospering:

"Lancashire which regarded the Indian market as its own close preserve, was frankly alarmed by this tendency, though yet it was hardly affected by the development of the Indian industry. In 1877-78, therefore it began to exert itself in the matter. The deficiencies in Indian revenue caused by the Mutiny and other military activities in India had forced the Government to levy heavy import duties amounting at one time to 20 per cent. *ad valorem* and Lancashire attributed the prosperity of the mills to their protective influence. It accordingly got the House of Commons

to pass a Resolution to the effect that 'in the opinion of this House, the duties now levied on cotton manufactures imported into India being protective in their nature, are contrary to sound commercial policy, and ought to be repealed without delay as soon as the financial condition of India will permit'. As a matter of fact as we shall see later on, the duties had no protective effect to speak of, as the Indian products did not compete with those of Lancashire; there can be no protection where there is no competition. But Lancashire was persistent and the House of Commons reaffirmed their Resolution of 1877, with the result that on March 13th, 1879 the first step in the ultimate repeal of the import duty on cotton goods was taken. It was then confined to the coarsest class of Lancashire grey goods, which came nearest the region of Indian competition. In 1882, all import duties were abolished, and India became fully a free trade country."

Now this was the pressure which Lancashire brought to bear and this was the result of the Resolution which was moved in the House of Commons, the Mother of Parliaments, which has ever been watchful of our own interests. My Honourable friends, representing the Bombay millowners, will kindly attend to the subsequent passage which occurs in the same book. It runs:

"The years immediately following the repeal of the import duties saw a rapid development in the Indian cotton industry. It was stated by Sir Henry James in the House of Commons debate of the 21st February 1895, that between 1882 and 1895, the number of spindles had increased from 1,550,000 to 3,500,000 and that while in the six years ending in 1882 the United Kingdom held two-thirds of the trade with Hong-Kong, China and Japan in the four years ending in 1895, four-fifths of this trade had passed to India."

This would show that, even in spite of the abolition of the import duties of 20 per cent., which were levied against British goods at that time, the Bombay mill industry could manage to recover, not only recover but develop its growth. I may also remind Honourable Members that, at this time, that is the year 1878, was the period of famine in the country, and still, in spite of that, and immediately after famine, the Bombay mill industry was able to develop. In this connection, I may also submit that the whole bone of contention just now, as I have said, was the position of the finer counts of the cotton industry in this country. Where is the protection to Bombay in that matter? Where is the protection for those mills of finer cotton stuff the manufacture of which is being started? Only the other day, yesterday or the day before, I read in a newspaper that Sir David Sassoon was contemplating the starting of five mills in Madras for production of finer stuffs. If such mills could be started at present, what is then all this talk of depression in industry? Are we to act on the telegraphic communications of such interested persons from Bombay to the effect that, if the grant is not made immediately, there will be a closing down of all the mills in Bombay? This was the cry raised before the whole country in 1927, three years ago, when the Tariff Board was appointed to inquire into this question. This was the cry raised at the time when the Tariff Board presided over by Sir Frank Noyce reported that the Bombay mill industry required protection. That was the time when protection should have been given to the Bombay industry. It was the time when labour conditions in Japan were favourable to them and were a handicap to us in this country, that the protection was needed. If protection was not given at that time, in 1927, and when those conditions have changed in the year of grace 1930, when during the course of these three years the Bombay mill industry is carrying on, how can we say that the Bombay mill industry will die and it will not tide over the present crisis if protection is not forthcoming. I am quite prepared



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to give protection to the Bombay mill industry. I am agreed in giving protection to the Bombay mill industry for this reason and for this reason alone, that it is to develop the industry of the country in finer stuff, to develop the industry which I consider to be national; and for the development of that industry alone, in which our salvation lies, I shall be prepared to give protection. It is for that sole purpose that every one on this side of the House would be prepared to give protection. But for that, we are not prepared to sacrifice our principles. We are not prepared to lay a precedent for the future. We are not prepared to endorse the protection given to Lancashire in the past, for at that time the activities of Government could not be said to have been with the approval of the country. Knowing the public opinion in the country, which was growing stronger and stronger every day, the Government cannot now, by their mere ukase, raise the duties so as to give preference to Lancashire. At that time it could not be said that we approved their action or that we supported them in principle, but today the position has changed and my humble submission is that, if for nothing else, at least as it creates a precedent, it ought not to be supported. We should not say that we are forced to accept this Imperial preference because it also gives protection, or because the Honourable the Finance Member and the Honourable the Commerce Member are holding a loaded pistol to our heads and saying that, unless we take this thing as it is, they are not going to give us any protection. We should in such a case be prepared to say, "Take away the whole thing". If we could survive after so much obstruction in the past, if we could survive after a much stronger attack on our industry, should we not be able to survive now when we have built up the industry, when we have sunk crores and crores of capital and built up some reserves, should we not be able to keep that industry going for two or three years more? My humble submission is that we can do so, and if any support from the country at large is needed, the country will be ready to give it. I can give one instance and that is that in spite of Mahatma Gandhi's non-co-operation movement, in spite of Mahatma Gandhi's influential leadership in the country—today he can take behind him the whole country if he so pleases—in spite of a few people who may have submitted to him in the days of the non-co-operation movement, in spite of all these things, his exhortations for the use of *khaddar* alone were not accepted by us against the use of mill-made goods. Why? At that time we believed, rightly or wrongly, that the supply of *khaddar* could not be enough to meet the demands of the people in the country. At that time we believed that in view of the luxuries we had taken upon ourselves and to which we were attached, we would not be able to spin the *charka* for an hour or two every day in our own households, and we believed that, because of the education we gave to our ladies, and because of their constitution or rather the luxuries to which our womenfolk were accustomed, they could not be able, or they could not be strong enough, to go on spinning and could not be able to produce yarn enough for the production of cotton goods sufficient to meet the demands of the whole country. In view of all these things, we did not at that time support Mahatma Gandhi in his campaign against mill-made goods, and in his cult of the exclusive use of *khaddar*. We at the same time told Mahatma Gandhi that, "We are prepared to take up your banner, we are prepared to follow your banner,

provided you include the products of Indian mills, the yarn and cloth manufactured by mills in India”.

**Mr. B. Das:** I hope my Honourable friend Mr. Mody recognises it.

**Mr. H. P. Mody:** I hope I do.

**Mr. B. Das:** Deeds and not words are wanted.

**Mr. K. B. L. Agnihotri:** From this we may show to our friends of the Bombay mill industry that it was because of this that we kept back at the time, knowing full well, as we did, the economic history of this country, knowing full well how it had fared at the hands of our well-wishers, rather our masters, knowing all these things, how was it that we did not subscribe to *khaddar*? It was because we thought that we should encourage the mill industry of Bombay (Hear, hear.) that we sacrificed our national principles for the sake of development of our national industry.

It was for this reason, and this reason alone, that the educated Indians did not follow Mahatma Gandhi in such a large number as could be expected in his propaganda for the *khaddar* movement. And that is the sacrifice which we are prepared to make in favour of the Bombay industry. We can promise them, we can assure them that we shall not only be content to use Indian goods ourselves, but we shall also try our level best to encourage and ask our fellow-countrymen outside to use Swadeshi cloth. That will bring us our regeneration; that will give us the bright future for our country. Dominion Status may or may not come to us. If economically we are strong enough, if our economic growth is perfect and complete, we are sure that we shall have a millenium in no time. Therefore my humble submission is that, having this asset, having this promise from us, the Bombay millowners should not be tempted to accept a bait which is nothing but a gratification and an illegal and immoral gratification. It is nothing short of a gratification to them, a bait to them, a temptation to them. They should not lower themselves and their self-respect by accepting a bribe. I am not prepared to endorse the threat which some of my friends have made that, in case the Bombay millowners accept this bait from the Government Benches, it will alienate the sympathies of the people who will resort to boycott of their goods. That may or may not be the result. It is for them to realise. Therefore my humble submission would be that we should not accept it, and my request to the House will be that it should not abet this act of the acceptance of an illegal gratification by the Bombay millowners from Government and it should not support the Government in passing this Bill, as laid before us, as it involves the principle of Imperial Preference, as it involves the principle of special protection to England. I am prepared to accept, for the sake of argument, my Honourable friend Sir George Rainy's remarks that it is only for the purpose of protection of the existing industry that he is giving this protection to the cotton industry. But what has he to say about the coloured goods? Has not Mr. Hardy found that India also produces coloured goods and that too in pretty large quantities? What protection is he giving to coloured goods? He takes away all the coloured goods from the purview of grey goods. That was a thing which required protection. England is perfectly willing to accept this 15 per cent. duty, or even a 20 per cent. duty on plain grey goods so long as it does not affect its finer stuff, so long as it does not affect

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its showy goods, so long as it does not affect its coloured goods. The other day, Mr. Ainscough, the Trade Commissioner for India and Ceylon, showed how the British traders' prospects could improve. I think I will be tiring the House if I read the whole article, so I will read a portion of it. He says:

"The Indian market may conveniently be divided into two separate and distinct groups: Firstly, there are the bazaar trades, which include all the imported articles in general use by the vast Indian population, and which are sold to Indian importers and dealers in the bazaars at the ports and large distribution centres throughout the country.

In this group price considerations are paramount, and low price and showy appearance are greater desiderata than equality, durability or even value for money. This group includes cotton and woollen piece-goods."

What I wish to point out is that England, in the past, tried its level best to see that the manufacture of the coloured goods should not be encouraged; the sale of coloured goods produced in India should not be encouraged in England. England not only imposed heavy duties thereon, but prohibited its sale throughout the country. There must be some reason for this; and what is the reason? The reason is human nature. We have to look to our tendencies towards luxuries. It is a part of our human nature to show ourselves well off by use of fine dresses and clothes; to see that our ladies appear in good dresses, to like the coloured and showy goods. Gaudiness is the rule of human nature. And in spite of civilisation, it still continues and lingers on. It not only lingers on, but the votaries of fashion have found to their cost that the coloured articles in their various shades are much more popular today than what they have been in the past. Ladies, as a rule, are very anxious to show themselves off by putting on gaudy and coloured dresses. Similarly, as for ourselves, how many of us here are putting on the coarse stuff which is produced in this country? How many of us are here to patronise Lancashire and British trade in the market? We shall find, by looking at our own selves, that even these millowners of Bombay, these champions of Indian mill industries, are the greatest defaulters and the greatest culprits, in the use of finer stuffs. They manufacture cotton goods for the use of the poorer classes. They do not manufacture cotton goods for those rich people and the middle-class people who are prepared to empty their pockets in the purchase of finer stuff and gaudy things, which are showy and fine to look at. Therefore what is the industry that we should encourage. What is the thing that should be developed? It is not the coarse goods only but finer cotton goods. What about the grey goods? What do we find from the statistics that have been supplied to us by Government? We find that in India there is steady growth of grey goods. There is not one year in which the Indian cotton industry has not developed, in spite of these handicaps. Will any Honourable Member of this House show, from the statistics supplied to us by that Government, that in any year, after 1917 up to date, the produce of grey cloth has decreased? Whether we judge it on the consumption or production, whether we judge it on the amount of imported goods from England or the imports that we receive from Japan or other countries, there is no decrease in the production of our own factories in India. Therefore my humble submission is that the cotton industries or the mill industries in Bombay, which produce grey goods, can hold their own even now, in spite of any handicaps, that may be existing against

them. What is needed is not the coarse cloth that may be used by the poorer people, but the finer stuff that may be used by the educated people, by people who are votaries of fashion and are growing in luxury. It was for this reason that England came to this country." It was for this purpose that other foreigners came to our country. If you will permit me, Sir, I will show, from page 257 of, "The Economic history of India" as to who are to be looked to for consumption of cotton goods:

"Warren Hastings was asked: 'From your knowledge of the Indian character and habits, are you able to speak to the probability of a demand for European commodities by the population of India, for their own use?'

'The supplies of trade', replied Warren Hastings, 'are for the wants and luxuries of a people; the poor in India may be said to have no wants. Their wants are confined to their dwellings, to their food, and to a scanty portion of clothing, all of which they can have from the soil that they tread upon.'

From this you will find that it is not the poorer classes of this country that are to be considered for the use of the products of the Indian industries, but it is the well-to-do classes which indulge in luxuries that are to be catered for and considered. So, Sir, my submission to the House will be that the millowners of Bombay be requested, the Government of India be urged, not only to protect the cotton industries in respect of grey yarn but to develop the produce of the finer stuffs, to protect the coloured goods, for which no protection is provided by my Honourable friend on the other side. I urge that it ought to be done. Otherwise, we will only be giving protection to England and to other countries. Now take the case of dhotis, the bordered dhoti. The dhoti is brought within the purview of grey yarns, but the bordered dhoti has been carefully kept out. May I ask any person with an intimate knowledge of the use of dhotis in this country whether, in the whole of Bengal, the whole of the United Provinces, the whole of the Central Provinces, the whole of Madras, the whole of the Bombay Presidency, and the whole of Bihar and Orissa, i.e., practically four-fifths of the continent, the male population use dhotis and the female population use sarrees? The dhoti or the saree is a piece of cloth with a border. Is there any protection to that? Now the Ahmedabad mills, the Bombay mills and mills in my own province, the Empress mills, produce large quantities of these bordered dhotis. How does my Honourable friend, the Commerce Member, protect them? He does not say anything about that. Leaving aside the finer goods, take the case of dhotis which are used by the ordinary middle-class population. When a middle class man goes to the market, he asks the cloth merchant to supply a pair of dhotis and the cloth merchant brings out the mill product of my friends, the millowners of Bombay, or the mill products of my friends, the millowners of Ahmedabad or those of my friend, Mr. Birla, in Delhi, or the mill products of Tatas in the Central provinces. Along with them, he also brings out, it may be a bleached stuff, or of the finer yarn, the dhoti produced by Lancashire or Manchester. When the man sees both of them side by side, he sees that the foreign product is finer than the Indian and also it is cheaper than the other. What does he then care to purchase, this coarse cloth or the finer cloth from Manchester or Lancashire, which is also cheaper at the same time? He would choose the latter. May I ask my Bengal friends, or the nominated Members from Bengal, for the matter of that, what cloth they would use in their houses? They are the persons from the middle-classes, and unless they use the Dacca or Shantipur dhotis, they will succumb or their ladies will succumb to the temptation of purchasing the finer material produced by Lancashire,

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which is also cheaper. Does he care to know whether the thing that is being produced in this country is cheaper in the long run, or whether the stuff that is cheaper at the moment is cheaper? He is concerned with what is cheap at the time of the purchase.

In this connection I will support my friend, Mr. Ghuznavi, when he said that, in 1905, when the Swadeshi movement came in, when the whole country was throbbing with new enthusiasm to use Swadeshi goods, my friends from Bombay did well use their opportunities at that time. I would not say that they used them wrongly. Perhaps I would have done the same thing in their place. They found that the whole country was burning with enthusiasm for Swadeshi goods, and they thought, why not take advantage of their sentiments, of their patriotism? And so they raised the prices. Sir, I am going to show that in those early days, working under the inspiration that I received by my contact with the Leader of the Nationalist Party, during my college career at Allahabad, I thought that the use of Swadeshi cloth by my countrymen would be beneficial to my country, and I used to preach to my fellow countrymen, to my shopkeeper friends in the mofussil towns in the Central Provinces, the backward tract of the country, about the use and sale of Swadeshi cloths. But everywhere I went I received only one reply. They said the foreign thing was cheaper and the country-made goods were dearer. A man, who had to purchase, say, six pairs of bordered dhotis for his large flourishing family, would not buy the dearer stuff. He would ask. How could he pay for a pair Rs. 5 or 6 for the product of Ahmedabad or Bombay, when he could get superior stuff from Manchester or Lancashire for Rs. 2 or 3? All my appeal for patriotism or for the future benefit to the country would not have any effect on him. Of course that is human nature. That was human nature, it is human nature and it will continue to be human nature in the future. Therefore, my suggestion is that this protection which you give is not enough. If you have the interests of the country at heart, if you want to give protection to the cotton industry of this country, this pious profession that we look to your interests and so on will not do. You should give protection to bordered dhotis also.

My Honourable friend has said that we have committed ourselves to discriminating protection, and that it was the discriminating protection which was advocated by a Commission presided over by an Indian himself, quite right, but my humble submission is that there are circumstances and circumstances for a thing so also a question of expediency. There may have been certain circumstances at that time which led the Commissioners to write a report like that, and there may have been an expediency for it. It was a time when there was a ban on protection, protection was taboo at that time, and therefore in order to bring round the Government of India to their views it may be, the Commission at that time thought, "Let us first accept this slight little thing which will give some impetus to our industries". But the millowners of Bombay do not care to look ahead, they do not care to see what will be the future of this industry, but they are watchful and anxious to accept any little gift which might be of help to them at the present moment. Discriminating protection does not mean that we should not encourage an industry which can, in course of time, hold its own in the country and which can meet competition after some time in future. Now in the case of the finer stuff, as I have pointed out, it had

been in existence in this country before. The finer material, in spite of their being no support from the Government, is carrying on today. What I say is that, if proper and adequate support is given, the mill industry will be able to hold its own and will kill all competition from outside.

Sir, I think I have said enough; and I will not take up the time of the House any longer, but my final warning to the Government would be that they have chosen a very wrong moment, as has been pointed out by the Honourable Sir Purshotamdas Thakurdas. They know that a feeling of Nationalism is growing in the country; they know that it is not only growing but it is predominant; they know that all eyes are watching Mahatma Gandhi. Why are they watching? Do they believe that Mahatma Gandhi, with his followers, will be able to produce as much salt as would be enough to supply the needs of the country? Not in the least. The whole object is to draw the attention of the Government, and through this Government, to our masters in England to this, that the country at present is aspiring to become a self-governing country, I will not go so far and say of becoming independent. I will say that the earlier the Dominion Status is given to us, the better will it be for all. It will not only be advantageous to us, but it will be advantageous to our rulers themselves. What would be the advantage? At present anything that comes from the Government Benches is taken with suspicion by this House; anything which we receive from that side we always begin to scan and analyse to find whether there was any motive behind it. Give us Dominion Status and all suspicion will disappear. Leave it to our own judgment, leave it to our own discretion, to give preference to England. You can then have the grace to say something, and I can assure you that, with the traditions of the past, the Hindus have never shown ingratitude. Hindus will always be grateful to their benefactors. Therefore you need not hurry up this Bill so far as Imperial Preference is concerned. It would not help the Indian cotton industry very much. It may help Lancashire in regaining its industry, but that regaining of the industry of Lancashire may be the ruin of the future of our industry of the finer stuffs. So in order to avoid the suspicion which is lurking in our mind—it may be unfounded, but all the same it is there; we cannot cast our suspicion out for the simple reason that history has taught us otherwise; let us believe that history—so my suggestion to Government is, do not press that portion of the Bill which contains the threat which you have given, that if we do not agree, you will take back this gift. So to avoid suspicion, if for nothing else, do not use such threats, as, "Either take this, or you will not get it again"; such threats always work adversely. It is the elected portion of the House who should be asked to vote on this Bill, and that alone will be the voice of the nation by which they ought to be guided. I will be failing in my duty, Sir, if, in spite of the love that I have for the Government of India, I do not give this warning. I should be the last person to say a word against the English Government, if for nothing else, at least for this, that it has enabled us to know of our own rights, and that we are not in a position to turn the foreigner from our land. If nothing has come to us from the English connection, at least we have learnt this thing, that now we should be united. We have begun to realise what our aspirations are, and what should be our goal. Therefore I say that though it is said to be a blessing in itself that we have been able to voice our grievances, it will be a

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greater and real blessing to us if we have a controlling voice in the management of our country. But apart from all that, we have the country before us, and the interests of the country at present require that you should not give Imperial Preference to England.

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

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

**Mr. K. O. Roy** (Bengal: Nominated Non-Official): Sir, we have heard already the exposition of the Bombay case from two very distinguished Members of this House, Sir Cowasji Jehangir and Sir Purshotamdas Thakurdas. The very telling speech which Sir Cowasji Jehangir delivered in this House yesterday convinced me of three important points, first that the Bombay mill industry is in a desperate condition, and that the Indian-owned industry needs assistance from the Indian Legislature; second, that the Bombay millowners with the home-grown cotton at their very door have been unable to meet the competition of the foreigners, and third, that the Bombay millowners have not been able to manage the Indian labour properly due to external influences. With these points made by Sir Cowasji Jehangir I am in entire agreement, Sir, and if I vote for the Bill, even at the risk of committing ourselves to Imperial Preference, it will be done for the benefit of the Bombay mill industry and the industry elsewhere. There was also a fourth point, which was made by Sir Cowasji Jehangir, about which I am not yet convinced. He maintained that the Bill does not commit us to Imperial Preference, and as he proceeded, I felt that he was an adept in the art of self-deception. My Honourable friend said yesterday that Mr. Chaman Lal had missed his vocation, but, he will find a very formidable rival in Sir Cowasji for the stage. If it is not Imperial Preference, what else is it, I should like to know from the Honourable Member when a country, constitutionally situated as India is, is giving protection to Lancashire. Is there any parallel anywhere? Sir, I have been reading the Report of the Indian Fiscal Commission, and I can find no parallel to it in their Report. Then, Sir, what is it? It is nothing but Imperial Preference, and like my friend, Mr. Chetty, I am not afraid of Imperial Preference, but at the present moment it is Imperial Preference without even a temporary reciprocal advantage. When we are placing at the disposal of the British nation and British industry the only tangible asset that we possess, that is the Indian market, I do say with full conviction that, as time comes, Britain will recognise what we are doing for her. To me, Sir, preference is a purely political proposition, and I beg to differ from my friend Mr. Chetty, when he says that Imperial Preference is a pure economic proposition. To me, Sir, as it has been in all the Dominions, it is a very important political proposition, and I should look forward to the time when we shall be fully repaid for what we are doing now, and it is in the spirit of give and take that I support this Bill, fully understanding that I am voting for Imperial Preference.

Sir, I am surprised that Imperial Preference has not been seriously considered by His Majesty's Government as well as by the Government of India earlier. What is the position of the British export trade to-day? I

have before me, Sir, an analysis prepared by an eminent Australian economist, Mr. Macdougall, whose name is well known to many Members of this House. Since the war, what is the position of the British export trade to this country? It is suffering from a shrinkage or contraction. And who are the people who are competing? It is the United States of America. In 1913, Sir, the total value of the export trade from the United States of America to India was 2·2 millions, and in 1928 it was 11 millions. Who were the other competitors in the field? Our friends, the Japanese. In 1913 the total value of the export trade from Japan to India was 2·9 millions, and in 1928 it was 14·6 millions. This should make the Government of India think that they have a duty to perform. We are prepared to give them preference, but where is the reciprocity? We have no love for the United States of America. In their country we are treated as undesirable aliens, but they are supplying us goods to the extent of 11 million pounds.

**Mr. B. Das:** How is it exploitation?

**Mr. K. C. Roy:** I am very sorry for you, Mr. Das. Then, Sir, take the Japanese. I have a great respect for the Japanese. We are proud of their achievements in the East, but what is the justification for the rapid expansion of their trade to the detriment of British industries in this country? I do not feel, Sir, that Japan has done half as much as Britain has done for us. Where was the sense of Indian nationality before Britain came to this country? I will love Britain any day (*An Honourable Member*: "Shame"), because she has done much for us, and if we have got to achieve political results we must rely upon British support and British co-operation.

Now, Sir, an important point has been raised about the constitutional position of this House *vis-a-vis* fiscal autonomy. We have before us three very important expositions. First and foremost is the interpretation given by Sir George Rainy. In the next place, I shall place the interpretation of my friend, Mr. Jinnah, whose views, I may tell the House, are known to every one, because he was one of the promoters of the Reform Scheme in 1916, and a third interpretation has been put on it by our worthy Secretary of State in a debating speech in the House of Commons only recently. Sir, I was in a humble capacity connected with this movement in 1916 in England. I was a witness before the Crewe Committee. I was a witness before Mr. Montagu and Lord Chelmsford, and I also gave my evidence before the Selbourne Committee. The essence of the Convention cannot be understood fully until we refer to the Montagu-Chelmsford Report. The late Mr. Montagu and Lord Chelmsford found themselves unable to make any recommendation. I shall give their own words:

"The changes which we propose in the Government of India Act will still leave the settlement of India's Tariff in the hands of a Government amenable to Parliament and the Secretary of State."

But they proceeded to point out the Indian feeling on the subject.

"This real and keen desire for fiscal autonomy does not mean that educated opinion in India is unmindful of Imperial obligations. On the contrary it feels proud of, and assured by, India's connection with the Empire, and does not desire a severance that would mean cutting the ties of loyalty to the Crown, the assumption of new and very heavy responsibilities, and a loss of standing in the world's affairs. Educated Indians recognise that they are great gainers by the Imperial connection, and they are willing to accept its drawbacks. They recognise that the question of a tariff may be mainly, but is not wholly, a matter of domestic politics."



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Tariff is not a matter of domestic politics. Then, Sir, the findings of the Crewe Committee have been ably placed before you by my friend, Mr. Neogy. The sum total of the Crewe Committee's Report, a copy of which I have not got before me, was more or less on the lines of greater reliance for Tariff purposes on the views of the non-official Members of this House. What was the position created by the Joint Committee over which Lord Selbourne presided? The Resolution of the Joint Committee is this:

"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 Legislature are in agreement, and they think that his intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire and any fiscal arrangements within the Empire to which His Majesty's Government is a party."

In the present case we have no Imperial obligations, and we are no party to any transaction or any commitment in the matter of this textile industry, but that is a matter beside the point. Then, Sir, Lord Selbourne wrote:

"Whatever be the right fiscal policy of 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 interest as the interest of Great Britain, Australia, New Zealand, Canada or South Africa."

But of course this parallel is not correct. They have got sovereign Parliaments there, and in our present Parliament we have an irremovable executive and a transitory Legislature. Then, Sir, the question is whether by a Statute this fiscal autonomy,—the word autonomy is not used in the Report; the word used is "convention",—could not have been guaranteed to us. That was one of the considerations which engaged the attention of the Selbourne Committee, and this was the decision:

"It cannot be guaranteed by a Statute without limiting the ultimate power of Parliament to control the administration of India and without limiting the powers of veto which vest in the Crown and either of these limitations finds a place in any of the Statutes of the British Empire."

Technically, Sir, there are no statutory powers conferred upon the Dominion Parliaments, but in actual practice the Dominion Parliaments have absolute sovereign powers, and, Sir, whatever may be the views expressed in this House, I claim that this House has no tariff autonomy whatever. That, Sir, is a matter for constitutional lawyers and for Parliamentarians to decide, but as one who has had something to do with the development of this convention, I am clearly of opinion that, as a convention, its working was based upon assumption of mutual co-operation, and it cannot work consistently and achieve results with strong opposition from the opposition Benches.

Then, Sir, there is one point about which a good deal has been said, and that is about the distribution of certain pamphlets in the lobby of this House. This was a matter that was carefully considered by the Watch and Ward Committee, and there was no more ardent exponent of the sanctity of the lobby than my friend Mr. Ghuznavi. He would not have a policeman or a visitor there. So was my friend Mr. K. C. Neogy. That was the sense of the recommendation of the Watch and Ward Committee. To the best of my knowledge that convention has not been violated by anybody. You are aware, Sir, that it is not an uncommon practice to

distribute pamphlets bearing upon the subjects of legislation in the precincts of the Parliamentary Houses. This was precisely what was done. And why was it done? Because an important Bill of this sort was not taken to the Select Committee. If it had been taken to the Select Committee, we would have examined the representatives of commerce, the representatives of the mill industry from Bombay, Ahmedabad, Cawnpore and other centres.

**Mr. C. S. Ranga Iyer:** Does the Honourable Member seriously contend that pamphlets are distributed in the lobby of the House of Commons?

**Mr. K. C. Roy:** I was referring to the precincts, and not to the lobby, Mr. Ranga Iyer.

**Mr. C. S. Ranga Iyer:** The sanctity of the lobby was violated by the distribution of certain pamphlets. I say that. I saw that, and I know it.

**Mr. K. C. Roy:** I accept that. I got my pamphlet from the Notice Room.

**Mr. C. S. Ranga Iyer:** That is no reason why you should dispute the statement that it was so circulated and by its circulation the sanctity of the lobby was violated.

**Mr. K. C. Roy:** Now, Sir, if a Select Committee had been summoned on a Bill of this sort, what would be the position? Even the Japanese Cotton Spinners' Association could have placed their case before the Select Committee, and we would have heard them gladly.

**Mr. President:** That stage has not yet passed. It is open to the Honourable Member to move for a Select Committee.

**Mr. K. C. Roy:** We have spent several days on this Bill and it is time that we finished it one way or other. The need of Bombay, as far as I can see, is very urgent.

**Mr. M. A. Jinnah:** Divide, divide.

**Mr. K. C. Roy:** The fact remains that unjust aspersions have been cast, not only upon the Members of this House, but upon some distinguished foreigners who have come in as visitors. I have visited many foreign Parliaments and we have been treated with nothing but courtesy and that same courtesy is due to them. (Applause.) I feel that this Bill is dictated by one of two considerations, consideration for Bombay and the consideration for Lancashire. We are not going to barter away our market, but if we pass this Bill, we shall be in a strong bargaining position and that is the position which I have in view, and with that view I support the Bill as moved by Sir George Rainy.

**Mr. N. C. Kelkar** (Bombay Central Division: Non-Muhammadan Rural): I rise to speak at a late stage of the debate and I naturally find that I have been anticipated on many of the points. That is however hardly a grievance. It is only a matter of relief because I will have to touch only on a few of the points. Applying one's mind to the consideration of this question as a whole, one comes up against a number of definite issues, to use a legal phrase; and those issues will be—what amount of protection is already secured after the passing of the Finance Bill to the mill industry? Is it enough. Does the mill industry deserve additional protection? Is the additional protection given by this Bill

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adequate for its purpose? Is the form of this protection desirable? Should the mill owners consent to it, and even if they consent what should the Assembly itself do, and lastly what will be the most desirable form of protection in order to satisfy the needs of the mill industry as well as to satisfy the political conscience of this Assembly? It would be tedious to go over the length of all these issues, but I will take up only two or three and express my views on this Bill. First of all, I must say this that I want to make my opposition to this Bill as precise and as clean as possible. I mean precise in this way. The protection to the mill industry comes in different forms. I have not opposed the increase in the general revenue duty to 15. I am not going to oppose the imposition of the 5 per cent. duty by itself. What I precisely object to is not making that duty general and 20 per cent. all round. That is my precise opposition.

With regard to my opposition being clean, I want to say this, that I want to remove from my mind and the mind of this Assembly all animus about the millowners on the present occasion. In that way alone can my opposition in this House be clean. First of all with regard to the protection. We have already secured to the millowners industry a protection in the form of raising the duty from 11 to 15 per cent. That is of course technically called the revenue duty, but we all know that a revenue duty at a high level naturally gives some kind of protection to the industry concerned. But what is the actual amount of protection that is secured to this industry? It may be said by Government that, in the first instance, there is the positive protection of 15 per cent. In the second place, there is the negative protection in the form of the removal of the excise duty to the extent of  $8\frac{1}{2}$  per cent. That makes it  $18\frac{1}{2}$  per cent. And then there is this additional 5 per cent. They will pile it up like that. But at one jump we must cut out all this to  $12\frac{1}{2}$  per cent. owing to the change in the ratio. Now, much will depend upon the view we take as to whether the prices in the country have adjusted themselves to the new ratio or not. If the prices may be supposed to have adjusted themselves, the protection may be perhaps more. If, on the other hand, the prices may not be supposed to have adjusted themselves, the protection will be less. It is, of course, difficult to calculate what amount of protection will be actually secured under the present conditions to the mill industry. But in any case I say that, even supposing that the protection as now secured to the mill industry, stands at  $18\frac{1}{2}$  per cent., or even at 20 per cent. or something like that, because of the incidence of  $8\frac{1}{2}$  annas per pound, it is not quite adequate for the purpose. The Government should have been bold enough, at one jump, to go up as far as 30 per cent. for a period of five years, so that ample time could have been given to the millowners to put their house in order and to establish themselves on a firm footing.

Now, with regard to the animus about the millowners, I will say this. When my friend, Diwan Chaman Lall, gets up to speak about the betterment of labour conditions, I always agree with him, especially in regard to the relations of the Bombay millowners and the labour industry in Bombay. But I am going to put in some special pleading in this matter, and it is this, that the impeachment of the mill industry is not relevant to the present purpose. We may impeach them when there is another occasion for doing so, but impeachment of the millowners is hardly relevant for the present purpose. Even if it is relevant, it is not gracious. If we

look at the pitiable condition in which the mill industry finds itself today, no kind-hearted man would ever think of impeaching them on the present occasion or rubbing this point in, but would actually sympathise with them. By that I do not necessarily mean that I could advise them to accept the Bill. That is another point. But that is something quite different from impeaching them on the present occasion. We must in this matter consider the question somewhat impersonally. The mill industry is something definitely different from the millowners. We must try to look at the wood rather than the trees in this matter. We should take a collective view of the whole industry. When I say this, I am, of course, fully aware of the shortcomings and weaknesses of the mill industry. I am perfectly aware of that. For instance, I can definitely say that some millowners have not shown a necessary degree of enlightened self-interest. Some have been working mills with a defective agency system. Some have indulged in speculation in their own shares on the stock exchange. Some have shown imprudence in extending their business in the boom time without laying by sufficient reserves, and some have imprudently distributed their dividends at a time when they should not have done so. Some have been too slow in reorganising the industry and many of them—I will change the word "some" into "many"—have not shown sufficient care and attention for the betterment of the conditions of labour. I am aware of all this, and yet I say that a regular impeachment of the mill industry and the refusal to it of necessary protection on these particular grounds is not relevant and is certainly not gracious.

Things have been said in this House about the difference between a national industry and a nationalised industry. I entirely agree that this is a national industry, though it cannot be called a nationalised industry. If I can call myself a national of this country, why should not this big industry call itself national? But leaving out the word "national" or "nationalised" and avoiding this controversy, can we not legitimately say that the mill industry is an Indian or an indigenous industry, and as such deserves protection? Certainly it does deserve protection. There are so many other industries in the country which are even smaller than the present industry which deserve protection. Take, for instance, workshops, engineering shops, tanneries, tool factories, iron and steel works, mineral oils and so many other industries. Are we not fighting for the protection being given to those industries, though they are not big industries in themselves? Certainly every Indian industry deserves protection on the part of this Government as against a foreign competing industry. Now, I can admit that, if we give protection to the mill industry, some bad millowners will share the benefits of that protection along with some good millowners. But which country is there in the world where this does not happen? Whenever you inaugurate a beneficial measure, there will be some bad men who cannot be prevented from reaping the advantages of that beneficial measure. The same may happen in this case. But that is certainly no reason why we should refuse to them point blank the advantages of such a beneficial measure. We may blame the Bombay mills, but what about the up-country mills? What offence have they committed that they should not be allowed to reap the advantage of this protection? There are mills in Ahmedabad, Delhi, Madras and other places in northern India which stand to gain additional protection and which they must have though they may not be in as bad a condition as the Bombay mills. I hold therefore that on the whole the issue of the impeachment of the mill industry is irrelevant and ungracious and therefore we must

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leave it there. Then, I will conclude this topic with giving a parallel about the steel industry. What did you do about the steel industry? We all know that when this question was taken up in this Assembly there were many complaints, similar to this, that the Tata Steel Company did not have sufficient provision by way of Indianisation and that the industry and the labour conditions there were certainly not good, and there were strikes, and so on. In these matters the Bombay mill industry does not differ from the Tata Iron and Steel Company to which protection was deliberately given by this Assembly.

Now, Sir, I claim the Bombay mill industry to be a national industry for these reasons, first of all it is a key industry where crores and crores of rupees of capital have been invested. That industry gives employment to lakhs and lakhs of people, and secondly it serves the ordinary permanent needs of the country in one particular department of life, namely, clothing. There is one thing more which I should like to say with reference to my Honourable friend, Diwan Chaman Lall. I will give him a hypothetical instance and would ask him whether he would like this. Supposing a trade union Bill was before this Assembly, and the object of the Bill was to strengthen the position of trade unions in this country, and supposing somebody were to get up on an occasion like that and say to this Assembly that, because some of the trade unions were misappropriating their money, and squandering the money, or because some of the trade unions funds were being wasted in things like communism, would my Honourable friend Diwan Chaman Lall relish such a criticism at that particular time?

**Diwan Chaman Lall** (West Punjab: Non-Muhammadan): I would not ask the Honourable Member to pay towards the support of such trades unions, as I am being asked to pay for the support of this industry.

**Mr. N. C. Kelkar**: What about the strengthening of the trade unions as a whole, strengthening the powers and position of the trade unions as a whole? So I ask in this particular case whether it should be done. We must take pity on the mill industry. Our wrath or ire or displeasure, or whatever it may be, must be reserved for the villain of the piece and not for these pitiable people. Our displeasure, if we show any, will be spent on the millowners, but not directed against the Government which is the villain of the piece in the matter. The Government are acting in this matter like Mephistopheles, trying to capture the soul of the millowners by immediately ministering to their cravings, and next putting temptations in their way. Take only this case. The Government have been seeing that the mill industry is between the devil and the deep sea, if I may say so, the devil of foreign competition on the one hand, and the deep sea of the intentions of Government on the other. And in order to probe the depth of the intentions of Government, the depth which has never been fathomed by anybody, in order to bring that point home to the Government, I will say this. It is being said that Government are very anxious to give protection to the mill industry. The Honourable the Commerce Member has used this strong language about the situation as it exists today:

"I do not think there can be any doubt from all the information that reaches Government to the effect that *emergent* measures are necessary if very *dangerous* results are to be avoided."

You will see, Sir, no words are spared, no emphasis is spared. "Dangerous results", "emergent measures" all these weighty words are used. Then he continues:

"Quite obviously the repercussions on the economic life of the City and the Presidency of any collapse in the Bombay mill-industry would be exceedingly serious."

That makes it clear that the Government are having in their minds the time when probably or possibly a collapse may occur in the case of the mill industry. Then naturally the question arises, why did they wait so long? Why did they not take up remedial measures in hand in 1927, when the millowners went to their doors on their bended knees and asked for protection? Why did Government hold their hands then and practically side-track the whole question of giving protection to the mill industry? Why did they do it? Now the Honourable the Commerce Member comes to this Assembly using this strong language, such as "collapse", "dangerous results", and so on and so on. That reminds me of a saying of a Sanskrit poet who says:

*"Prodipte bhavaneta koop khaanam pratyodyamah keedrishah?"*

which, when translated, means, the house is on fire and there is a conflagration, and the remedial measure then is to begin to dig a well for quenching the flames. It looks exactly like that. Why did the Government wait for three years, if they really wanted to benefit this industry by giving adequate protection? Here is the mill industry on fire and are they now beginning to dig a well and tell us that after digging a well they will draw water and quench the flames of this industry. But then the next question is that even though the measure of protection that is given to the mill industry is adequate, whether it will be of practical and material use to the industry? I at once give my opinion, for what it is worth, that the measure is not adequate, and secondly will the mill industry realise all the boasted results of this measure? Look at it. The Government themselves say that it is a temporary shelter intended to be given for three years. Now what will happen during these three years? The first year will go away and no benefit will go to the millowners because there has already been dumping and there will be more dumping so that the first year will practically be useless on account of the dumping. That is, 1931 will be wasted like that. We come to 1933, and then there is to be a Tariff Board Inquiry, so the only year that is available for the millowners to reap the benefit is 1932, and I am not inclined to believe that, in one year, or within a year and a half, the mill industry is going to realise these benefits very much in a material measure. Could they in one year organise their industry, could they put in new machinery in the business? Could they train labour in one or two years? Could they increase really the wages of labour, or better the conditions of labour if they mean to within a year or two?

Then the question arises whether Lancashire will not occupy the void or vacuum that will be created by giving protection as against Japan? The question will always remain one for speculation as to whether that particular void, created by the reduction of the exports from Japan, will be occupied by the Indian millowners or by Lancashire. Who can say definitely what will be the condition? Many shrewd people tell me, who know a good deal about these things, that the result will be that, whereas

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Japanese competition will be out of the way, Lancashire will come in and take its place and occupy the void. Then the question is, why should the country or the millowners even antagonise Japan, Italy or Belgium? Why should they antagonise the whole class of Swadeshi workers who are bent upon propaganda about Swadeshi and boycott in these days now when we are face to face with the struggle for achieving Swaraj? Again, if the millowners assent to this, the most important consideration in my opinion will be that they will be simply confirming the suspicions that are afloat in the air that the millowners themselves, at an earlier stage, have agreed to the preferential treatment to Lancashire. Even before this Bill was heard of or thought of, I can say confidently, so far as I am concerned, I had read in the papers that one millowner, an influential leading millowner of Bombay, had gone to England and made a bargain with Lancashire on the basis of this preference.

**Mr. H. P. Mody:** Sir, this statement was made by my Honourable friend Mr. Neogy yesterday and is repeated today by my Honourable friend Mr. Kelkar. Permit me to say, Sir, that while I cannot pretend to say on behalf of every individual millowner what he may or may not have done, I can say that, so far as I know, the story has no foundation. Any way, so far as my Association is concerned, no such demand has been made either now or in the past. I wish my Honourable friends would accept my denial as final.

**Mr. President:** The Honourable Member refers to some individuals.

**Mr. N. C. Kelkar:** I did not accuse the Association.

**The Honourable Sir George Rainy** (Member for Commerce and Railways): There was no communication either from our side.

**Mr. N. C. Kelkar:** The whole thing was stage-managed.

**Mr. B. Das:** Sir Ness Wadia did it.

**Mr. H. P. Mody:** May I ask my Honourable friend his authority for that statement?

**Mr. B. Das:** My authority is Reuter's telegram published three years ago.

**Mr. H. P. Mody:** I should like to see that telegram and find out in what connection it was made, and I should also like to see the authority for that telegram.

**Mr. K. C. Neogy:** I quoted what I consider to be a good authority, namely, a reputed journal published from Bombay, the *Servant of India*. I do not know whether the Honourable Member thought it worth his while to contradict that report when it appeared in a paper published in his own Presidency.

**Mr. H. P. Mody:** When it comes to my turn to speak again, I shall tell my Honourable friend what I think of the matter.

**Mr. M. S. Aney** (Berar Representative): Was there any contradiction of it?

**Mr. H. P. Mody:** Why should there be a contradiction of anything and everything that appears in the Press?

**Mr. K. C. Neogy:** Certainly, if it affects your reputation.

**Mr. President:** Order, order. Mr. Kelkar.

**Mr. N. O. Kelkar:** I shall be ready to accept any well-founded contradiction which my Honourable friend may be prepared to offer circumstantially. But that was the impression that was created in our minds two years ago, when this Bill was not thought of or dreamt of. And at that time there was a distinct assertion in the Press that one millowner—I am not accusing the Association at all—went to England and bargained with Lancashire about this protective duty against Japanese goods.

**Mr. H. P. Mody:** That is not correct.

**Mr. N. O. Kelkar:** It may be so, but that was the report, and I shall be much obliged to my Honourable friend if he gives the correct version at the proper time.

Sir, I have said all this in order to put before the House my view of what the millowners should do. In the first place, I have said that I have no animus against them. In the second place, I have said that I am prepared to give them all reasonable protection that may be needed for them. Let them come up and support the proposal for 20 per cent. all round, and I am prepared to support it. But I am not going to support them in the present arrangement of a preferential tariff against Japan in favour of Lancashire. In my view, 15 per cent. general revenue duty does give them some sort of protection, and they should help us in raising this question about making it a general tariff of 20 per cent. all round instead of an additional protective duty only against Japan to the extent of 5 per cent. Let them be bold like my Honourable friend, Mr. Birla, whose observations were certainly conceived in a high and dignified spirit; and I may say that his conduct as a millowner on the present occasion is certainly heroic. Every millowner in every part of India should stand up to that example and support us in this House to have an all round duty of 20 per cent. I have already said that, even 20 per cent. will not be an adequate measure of protection. Let us go forward. Our tariff schedule shows that, when we want protection to be given to inland industries or manufactures, we go higher than that. In some cases, the tariff schedule goes up to 30, 40, 50 and 100 per cent. Let them choose any figure which they think adequate. We are out to support them. Let us make common cause against Government and support the particular tariff which they think will be adequate for the particular purpose. But my words may perhaps be wasted upon the millowners. I can realise what particular position they are in, and as the Sanskrit poet says:

*"Bubhukshitaḥ kim na karoti papam?"*

"What sin is there in this world which a hungry man will not commit"?

The story is told, and we all know it, that a Brahman of Brahmins, Vishwamitra, when there was famine in the land, was ready to eat even the flesh of a dog. Therefore I shall not wonder if, in spite of the defects of the present scheme of protection, the millowners will agree to receive it. In that case we shall leave them to their conscience and to their gains. That, however, does not solve the question as to what we of the popular party or the opposition should do in regard to this Bill. Leaving



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them to their conscience and to their gains, we have to consider what position the Nationalist Party or the other popular parties in the House should take up, and I say that should be unhesitatingly an attitude of opposition to the present Bill.

Now, the question has been discussed as to whether this is Imperial Preference or not. When once we go into the mystifying wood of words, there is no coming out. It is like the *bhukbhulia* (labyrinth) of some of the Rajas. So leaving other words, I will take only the word "preference". I will leave "Imperial" and I will leave British goods. But it is some preference as against Japan and a discrimination. There is no doubt about that. My Honourable friend the Commerce Member has been,—I may say to his credit,—perfectly frank about this. He says:

"Government frankly recognise that, as my Honourable colleague made plain in his budget speech, the method adopted involves preference to British manufacturers."

Though he himself says that his Honourable colleague the Finance Member has not said it in so many words. The Commerce Member has been candid enough to use the word "Preference" for British manufactured goods. But what does the Finance Member say? He says:

"We warned His Majesty's Government that it would not be right for us to ask the Assembly to commit themselves to Imperial Preference as a principle but merely to adopt a particular course which in our judgment was consistent with India's interests at a critical juncture."

We have to mark these words. It is not Imperial Preference, but it is a "particular course of action at a critical juncture" whatever we may understand by it.

Then, he is himself conscious of the crooked nature of this description, for he says in paragraph 39 of his speech:

"Action taken for the provision of revenue is a straightforward matter."

But this provision about protection is not straightforward. The measure for protection that he has proposed is obviously and admittedly not a straightforward matter. The one was a straightforward matter; the other I may characterise as sneaking, surreptitious and crooked. Certainly it is not straightforward, and therefore we see it in its present form.

Now, much has been said in different forms by way of mitigating the evil of this particular principle of preference introduced here. This, as the Finance Member has said, is a particular course of action. Mr. Sarma yesterday said that it was a small measure, a little measure. So he wanted to belittle the importance of this measure of preference. Sir, this belittling reminds me of a small story. The story is about a country parson in England. In one of his official visits, he came across an unmarried mother who had helped to bring into this world a piece of humanity in a way not generally recognised, and the parson naturally reproached the woman with having done this. She held the little brat before the parson and said "what a wee bit it is". I do not know whether she also used the words, "Sir, it is not a policy, but a particular course of action at a critical juncture". (Loud Laughter.) The measure may be small; but you try to belittle this evil, which is a particular course of action at a critical juncture, and say it is a small measure, yet it is illegitimate. Referring to that fiscal authority or convention, I would say

this. If it was a fiscal convention, real and true, then the Government stand in the position of the mother, and the Legislature stands in the position of the father. Therefore any measure brought into being, or sought to be brought into being on that basis without reference to the father or the Assembly is illegitimate. It may be said that this measure is put before the Assembly and who knows it may gain the assent of the Assembly also. But we do know under what conditions it is going to be done. I therefore make a sporting offer to the Government. Let the Government officers, the nominated Members, stand out. The Legislature means the body of elected Members. (Hear, hear.) Let them take a decision. If you win in a division like this, then it is legitimate. Who can prevent you then from proclaiming that this was given assent to? But if you are going to pass this Bill, after declaring your intention that you are going to admit no amendment that may be passed, after having practically told us so, what a great humiliation it is for us. You say you are not going to admit any amendment, even if the House passes it. That at once shows what importance you attach to the vote of the Assembly. Then why should you speak in a dignified manner about the glorification of this non-existent fiscal autonomy? Fiscal autonomy, if it is real, will be tested by three points. With regard to the Government and the Assembly I have already stated what the position is. That is unreal. Then with regard to the Government of India and the Home Government, no one knows what has happened. The Honourable Member has said that he tried to take this House into confidence. I have never heard that secrecy and confidence go hand in hand, and in reply to my Honourable Leader, the Commerce Member has definitely stated that he is not going to lay on the table the whole of the correspondence on this matter. How does this Government therefore say that it has taken the Assembly into its confidence? Therefore, secrecy and confidence do not go hand in hand, and I am not prepared to admit that Government have taken this House into their confidence, and surely there is no real fiscal autonomy in this matter. Then the only point of contact between Lancashire and India remains. That of course is not possible, making Lancashire and India come to any agreement without Government intervening. So, therefore, tested on all these three points of contact, from the point of view of fiscal autonomy, we find that fiscal autonomy is a sham and the Finance Member should have considered twice or thrice before referring to that fiscal autonomy in this particular manner. Instances have been given of the Colonies, in which fiscal autonomy has been realised and Imperial Preference has been given. But does the Honourable Member seriously mean that this House is on a par with the Parliaments of these self-governing Colonies? There they can make a free gift of anything. There they are at liberty to make any bargain they please, taking into consideration what political or what commercial or what economic advantages there will be. My Honourable friend, Mr. Jayakar, the other day, said, "I am prepared to give you this measure, but give me in return something very substantial". The Honourable Members opposite did not take up that bait. They stuck to their seats. They made no reply to him. Now, Mr. Shanmukham Chetty said the bargain should be on the basis of economic return. What is the economic return? That question was put to him yesterday by Mr. Neogy, and Mr. Shanmukham Chetty was not able to give any satisfactory reply. Therefore, there is neither political return nor economic return. Then for what consideration shall we agree to this bargain with Lancashire?

**Diwan Chaman Lall:** Does not the Honourable Member, before proceeding further, think that an authoritative interpretation of the meaning of fiscal autonomy ought to be obtained? Is not that point of order to be raised?

**Mr. N. C. Kelkar:** My point is that the Finance Member himself knows that this is not in the nature of the tariff autonomy or so called fiscal autonomy. He knows also that India does not like the present Bill and yet he is supporting it and trying to put that before us as if on the basis of fiscal autonomy. I certainly do not want to challenge the veracity of the Honourable Members opposite when they say that they did not receive any mandate from the Secretary of State in this matter. I am prepared to admit that. But that does not obviate the other fact, that the mandate may have come from Lancashire. (Hear, hear.) And mandates in these matters do not come directly. (Hear, hear.)

**The Honourable Sir George Schuster** (Finance Member): Is the Honourable Member suggesting that there has been any direct communication between the Government of India and the Lancashire industries?

**Mr. N. C. Kelkar:** I have said not directly. The Government of India lives and breathes in the atmosphere of British commerce (Hear, hear), and I think that idea of a preference originating with Lancashire might have got over the atmosphere or the winds to the Government of India.

**The Honourable Sir George Schuster:** Will the Honourable Member accept from me the most categorical assurance that no suggestion of any kind of Imperial Preference or preference to Lancashire has ever come to the Government of India, either from His Majesty's Government or from any representative of British industry? The suggestion, as I have already explained, has been explained by my Honourable colleague as having emanated from the Government of India. If any one is to blame for that suggestion if it is not a proper proposal, if it is a proposal which does not commend itself to this House, it is we who are to blame for it. No suggestion of any kind has come to us from any party in England on this matter.

**Diwan Chaman Lall:** May I inquire whether the Government of India are in a position to accept the vote of this House on the proposals they have made?

**The Honourable Sir George Schuster:** What does my Honourable friend mean by "the vote of the House"?

**Diwan Chaman Lall:** If the amendment moved or going to be moved by the Honourable Member, the Leader of the Nationalist Party, is put to the vote of this House, will the Government of India accept the vote of this House on that amendment?

**The Honourable Sir George Schuster:** The Government of India are in the position of being responsible for a policy on this matter. The Government of India have put before this House what they considered to be a proper proposal, a proposal which, after due consideration and taking into account all the considerations and all the interests which bear upon this matter, they considered to be best in the interests of the country. The Government of India are responsible, and they cannot put that responsibility which rests on them on any other shoulders. That is the constitutional position at the moment and it is for that reason that my Honourable

colleague has announced the decision to which the questioner has referred.

**Mr. President:** What I have not been able to understand so far is this: whether the Government of India in this matter are responsible to the British House of Commons, or whether they are responsible to this House? They cannot be irresponsible altogether. They must be responsible to someone in every matter, and I want to know, to whom in this matter are the Government of India responsible?

**Mr. N. C. Kelkar:** I am prepared to accept whatever may be put before us by way of his sincere sentiments by the Honourable the Finance Member. I am prepared to accept whatever is put before the

4 P.M. House by the Finance Member; I am not going to question that; but I am a little puzzled in this matter. I do not understand how the Government of India came to propose special treatment for Lancashire. Why do they not raise the duty to 20 per cent.? They would have got five per cent. more of revenue; they stood to profit by it. Had they really the interests of the consumer in their mind? Sir, the less said about this matter the better. In how many cases did they really think of the consumer? Dr. Johnson once said that patriotism is the last resort of the scoundrel. Here consumers are the last resort of the Bureaucracy in this country. Whenever they want an excuse, they place it on the devoted head of the consumer; otherwise we know how much care they have taken of the consumer. Is all this extravagance for the benefit of the consumer? Is all this new taxation for the benefit of the consumer? Therefore the point is, the Secretary of State did not suggest; it is the Government of India alone who have thought of putting this discriminating tariff as against the interests of Lancashire and as against Japan. The Finance Member has said in his speech that he knows the history of this cotton tariff business, that this has a long and troubled history, but what is the conclusion to be drawn from that troubled history? If he has read that history, he will know Lancashire has been our principal enemy. I do not want to go into that history here. If the Finance Member wants it, perhaps I may reserve it for the third reading, but I tell him and he must remember that there is no other enemy of India with regard to her cotton industry so great as Lancashire. This troubled history extends over two hundred years, and India has suffered throughout at the hands of Lancashire. In the days of the Company, the Government was for protection, but the protection was given for England against the Indian cotton industry. Then when the industry was killed in India, about the year 1840, the Government thought of the blessings of free trade. In 1882 all cotton duties were absolutely removed from the tariff schedule; in 1894 excise duties were put upon the Indian cotton industry. Throughout, we see that the Indian cotton industry has suffered. Indeed, if Government wanted to raise more revenue by taxation, they rather put a duty on salt than put a tax upon the cotton imports from Lancashire. I have no wish to go into this history further, but I really wonder how the Government of India can find a soft corner in their hearts for Lancashire, which has been thoroughly responsible throughout these two hundred years for the ruin of the Indian cotton industry. What would Government have lost if they put a 20 per cent. duty all round? Certainly they would have

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gained, and the industry would have gained. But this is a cheese-paring Government. At the same time the Government are great mathematicians; they have studied the differential calculus; I have not studied it myself, but there is such a thing as differential calculus, and they have investigated and arrived at the minimum which would do the least harm.

With regard to the cotton duties, when there was a munity, when Government were short of funds, or in 1894, when the value of the rupee went down, and they found it difficult to impose taxation, or when war came and they were faced with deficits, it was only on those occasions that, in order to meet their own needs, they put on cotton duties, and even then they have not gone beyond 11 per cent., and in some years it has happened that a tax on salt has been imposed, even doubled, and cotton duties were not increased. On two or three occasions the Finance Member was obliged to give explanations to the Legislative Council as to why an increase in cotton duties did not find place in the Schedule, which would have brought to Government as much as 10 crores of additional revenue to meet their deficits. I say all this because the Finance Member said in his speech that he is acquainted with the long and troubled history of these cotton duties. If he has read that history impartially, let him say how the Government of India have a soft corner for Lancashire, which has been the chief enemy of the cotton industry in India. This industry is only just coming up. From 1894 to 1926 there was that excise duty. Whenever there was a small rise in the cotton import duty, it was countervailed by an excise duty. So you practically killed the Indian cotton industry; that has been the history of this cotton tariff. I am therefore puzzled to know what can possibly have suggested it, unless there has been a revelation from heaven, that they should give this discriminating protective duty against Japan and in favour of Lancashire. The millowners say they did not suggest it; the Secretary of State did not suggest it; certainly the Assembly did not suggest it. I do not know then who suggested it. I am prepared to accept their explanation and not challenge their veracity, but full explanation is due to us so long as the correspondence has not been placed on the table. Therefore there is some room for suspicion. I do not wish to say anything more. If I have got to say anything more, I will say that perhaps on the third reading. Here I will content myself with only touching the main aspects of the case as they appear to me, and I have tried to give my answers to some of the issues which I have myself raised.

**Mr. Fazal Ibrahim Rahimtulla** (Bombay Central Division: Muhammadan Rural): Sir, I rise to congratulate my friend Mr. Kelkar on the very able speech that he has made before this House. He has told us that he would put up a clean fight and he has done so very ably. He has not talked of the Bombay mill industry, of the protection to the Bombay mill industry, like my friend Mr. Ghuznavi who, in his enthusiasm, condemned the Bombay mill industry without even reading the Bill which is before the House. Sir, my friend Mr. Ghuznavi traced the history of the textile industry in India and his grievance dated from 1905, and because something wrong was done in 1905, without considering either the merits or the present condition through which the textile industry is passing, my friend has advised this House to oppose even the consideration of this Bill.

Sir, from the debate that has followed in this House, I find that there is a good deal of confusion. The motion before the House is merely a motion whether the House would agree to give protection to the textile industry of India. That is the principle which this House is asked to endorse. This is the First Reading of the Bill. (*An Honourable Member*: "Not the First.") I mean this is the Second Reading of the Bill. What are we voting for? We are voting for the principle of protection to the textile industry in British India. In this connection, Sir, I should like to congratulate my friend, Mr. Birla, for his very able speech and magnanimity of mind. He at least has recognised that protection is necessary, but his grievance is against the preferential duty. May I tell him, Sir, that as far as the consideration of the Bill is concerned, he at least, if not his party, should support this Bill. Let us understand the issue before the House. The issue before the House is, I take it, to grant protection to the textile industry. Later when the amendments come up, it is open to this House, if it is convinced, to accept the amendment of my friend the Leader of the Opposition or to accept the proposal of Government, as embodied in the Bill, or with the amendment of my friend Mr. Chetty. Therefore, as far as this House is concerned, I take it that, with the exception of one or two Members, there is complete unanimity of opinion that the textile industry requires protection. These proposals, Sir, I take it, are the outcome of the negotiations which took place between the leaders of the textile industry in India and the Member in charge just before the Assembly Sessions began.

**Mr. A. H. Ghuznavi**: When was this?

**Mr. Fazal Ibrahim Rahimtulla**: I said just before the Sessions began. I hope my friend Mr. Ghuznavi reads newspapers. Therefore, the point is, whether the proposals that are now before the Government are acceptable to the millowners in India. I won't say, and I hope my friend Mr. Ghuznavi will admit that this measure is not confined to Bombay.

**Mr. A. H. Ghuznavi**: It is mostly confined to Bombay.

**Mr. Fazal Ibrahim Rahimtulla**: It may be mostly to Bombay, but the depression is felt all over India.

**Mr. Mukhtar Singh** (Meerut Division: Non-Muhammadan Rural): Was it at the suggestion of the millowners that the preferential duty was proposed?

**Mr. Fazal Ibrahim Rahimtulla**: I say the proposals emanated out of the conference between the millowners of India and the Government of India. This Bill is the outcome, I have not come to the preferential duties. . . . .

**Mr. M. S. Aney**: The proposals embodied in this Bill?

**Mr. Fazal Ibrahim Rahimtulla**: The millowners of India required protection, and the Government of India have brought forward a Bill whose principle is protection. (*An Honourable Member*: "Was it part of the negotiations?") That is for the millowners to answer. I must say at once that I am neither a millowner nor a mill agent, nor am I a Labour Leader; I am one of those who want to study this Bill on its own merits. The Leader of my party has said that this party considers every measure before the House on its own merits, irrespective of any other consideration, even if 50 per cent. is to be handed over to the labour of the Bombay

[Mr. Fazal Ibrahim Rahimtulla.]

textile industry. Sir, in paragraph 58 of the speech of the Honourable the Finance Member, the question has been raised, and this is what he says:

"We felt, in fact, that this method of approach from the British Government had a special significance. It affords striking evidence that the fiscal autonomy convention has become an integral part of the constitution, and that even when British interests are most profoundly affected by tariff changes in India, the intervention of the British Government is restricted to representation and appeal. Complete freedom was accorded to the Government of India to take the final decision in whatever manner they thought right for India."

Sir, the Finance Member has told this House that, as far as the Secretary of State is concerned, he has not interfered with this. The reason why the Government of India have introduced preferential duties is contained in paragraph 58 of that very speech of the Honourable the Finance Member. This is what is stated in that speech:

"In the second place, I must, on behalf of the Government of India, make it clear that we could not feel justified in imposing for revenue purposes a higher duty than 15 per cent. and that, so far as the protective measures are concerned, it is only if their scope is limited, in the way that we propose, that we could agree to carry them so far. As I pointed out at the outset, we cannot disregard the interests of the consumer, and it is contrary to all sound principles to impose a protective duty, putting a heavy burden on the consumer, if the benefit to the producer must be small or negligible."

I say, Sir, whether right or wrong, this is the consideration which has led the Government to bring in the question of preferential duties. It is for this House either to support or to rebut the argument that the Government of India are wrong in assuming that the amendment of Pandit Malaviya is not in the interests of the consumer. I would therefore like to hear the Leader of the Opposition before this House makes up its mind in regard to the question of preferential duties. I hope, Sir, my friends will not fight shy of the preferential duties. My friends, in their haste to denounce the Imperial Preference, have said that the Tata Steel Industry Bill was protection from the back door. The present protection is from the front door, and if I repeat what Mr. Jayakar suggested that in future he did not know the kind of protection there will be, I may say it may be from the chimney. I hope, Sir, that the people will understand that the question of protection is to be debated on its own merits. The question of protection should come first, and my friend Mr. Birla has pointed out that the protection, as put forward by Government, is not adequate, but I do not know whether, on that score, he will oppose the Bill. He is opposing the Bill on the question of Imperial Preference. I may say at once, Sir, that I am not in favour of Imperial Preference. I do not think, Sir, any Bombay man, either in this House or outside, is prepared to admit that he is in favour of Imperial Preference. Therefore, Sir, I hope my friends will not misjudge the Bombay millowners or the Bombay representatives here who ask you nothing more and nothing less than protection to the textile industry.

**Mr. K. O. Neogy:** I dare say the Honourable Member has read the Note which has been circulated over the signature of the Honourable Sir George Rainy, and I will quote from it only two lines from the bottom of page 1 and two lines from the top of page 2. This is what he says:

"It seems impossible to argue that any protection in excess of the 15 per cent. revenue duty is needed so far as imports from the United Kingdom are concerned, for if it were needed the millowners would certainly have asked for it."

May I take it that the millowners did not ask for the 15 per cent. revenue duty as against Lancashire?

**Mr. H. P. Mody:** I have already stated to the House, on more than one occasion, that when we appeared before the Government of India we asked for 20 per cent. and 3½ annas duty all round. I hope my friend will take it as final.

**Mr. K. C. Neogy:** Will my Honourable friend explain this statement in Sir George Rainy's note?

**The Honourable Sir George Rainy:** It was never present to my mind that that sentence could bear the meaning that the proposal mentioned by my Honourable friend Mr. Mody had not been made. It was indeed notorious to all the world that it had been made. What was in my mind, was that the competition from the United Kingdom had never been given as a reason for the grant of higher protection.

**Mr. Fazal Ibrahim Rahimtulla:** Two of the Members of this House have given an adequate and effective reply to my friend Mr. Neogy, and therefore I need not go into that question. My point is this, that as far as this House is concerned, it should not mix up the issues. Let us at once vote for the consideration, if we are satisfied that protection is necessary. I think the Leader of the Opposition has also said that he is for protection. Then the next stage will come when the Leader of the Opposition will move his amendment as to what kind of preferential duties we should give, or whether there should be no question of preferential duties. At that stage, it would be our pleasure to hear the Leader of the Opposition making out a case why preferential duties are not in the interests of this country. My friend, Mr. Chetty, I think, has done very well in his speech on the Budget to lay down the three conditions on which, even if preferential duties are granted, they can possibly be justified. He said:

"If it is possible to devise a scheme of tariff by which Indian industries will be able to get all the protection they want, by which the Indian consumer will not be affected and by which you will give some sort of preference to Empire goods, then, I certainly for one will not object to it."

I think, Sir, Members of this House are carried away by too much talk of Lancashire. I wish they should concentrate their attention more on the Indian industry and the conditions of the industry in India. They should talk less of Lancashire and more of Indian industries. If they were to concentrate their attention on that, the solution of this difficult problem will be very easy. Several Members of this House have given an adequate reply to my friend Diwan Chaman Lall, except the third generation incompetency. My friend Sir Purshotamdas Thakurdas did give him some reply, but I may tell him that the greatest difficulty and the greatest hitch is the banking system in India. The banks in India, and I think the Honourable the Finance Member will bear in mind this question, do not advance money unless the Managing Agents give their personal signature and their personal liability for it and if the Banking Inquiry Committee can see its way to remedy this evil, I hope the question about managing systems may then be a question debatable on a future occasion and not today.

**Mr. Vidya Sagar Pandya:** Is the Honourable Member quite sure that the Imperial Bank does not lend money without the signature of the Managing Agents?



**Mr. Fazal Ibrahim Rahimtulla:** That is my information.

**Mr. Vidya Sagar Pandya:** I am afraid you are not quite correct.

**Mr. E. K. Shanmukham Chetty:** I may tell my friend that the statement of Mr. Rahimtulla is perfectly correct.

**Mr. Vidya Sagar Pandya:** I have also information that there are cases in which the advance has been made.

**Mr. President:** Never mind. Both are right.

**Mr. Fazal Ibrahim Rahimtulla:** There may be an exception in the case of Mr. Vidya Sagar Pandya, and I am glad that the Imperial Bank is treating him so very favourably. One important point which my friend Mr. Ghuznavi advanced without perhaps understanding is the quotation of Mr. Khaitan. He drew the attention particularly of Sir Purshotamdas to it, because he is his colleague and co-worker both in the Banking Inquiry Committee and in the Federation of the Chambers of Commerce. My friend does not understand what finer counts are and what suitable machinery is necessary, what amount of cotton is necessary to be imported and whether the present condition will allow them to think of finer counts before they get adequate protection. I hope my friend Mr. Ghuznavi will realise seriously the present depression in the textile industry. The Government of India say that a moment's delay will be disastrous and therefore they have said that they are giving them protection for three years as an emergency measure, and are not asking you to commit yourself on the question of Imperial Preference. The whole question will be placed before the Tariff Board, and the Government will then come forward with the proposals that may emanate from that body. My friend Diwan Chaman Lall was expressing great solicitude for the consumers. My friend does not know that, whilst India is not in any way showing hostility towards Japan, their whole protest lies in the question of unfair competition, and my friend, who has read the Fiscal Commission's Report, will bear me out that dumping was resorted to in order to kill the steel industry. And then woe be to the consumers. I hope that my friend, Diwan Chaman Lall, will realise that Japan is not selling cheap in order to benefit Indians, but ultimately to benefit Japan, and therefore the question has arisen regarding protection to the textile industry.

**Diwan Chaman Lall:** May I ask the Honourable Member if he is making this charge, that Japan is dumping goods into India?

**Mr. Fazal Ibrahim Rahimtulla:** I mentioned the steel industry.

**Diwan Chaman Lall:** Is the Honourable Member aware that the Tariff Board has definitely denied it?

**Mr. Fazal Ibrahim Rahimtulla:** It is in the Fiscal Commission's Report. I will ask my friend to refer to it. In paragraph 183 on page 63 of the Fiscal Commission's Report it is stated:

"We have discussed the possibility of protection being neutralised owing to the existence of unfair railway or shipping rates."

This is a kind of method I hope the Government of India will adopt towards Indian Industry. I want to say this. That the cotton mill industry in India has got to fight two opponents. The one is the unsympathetic attitude of the labour, and the second is the Government

of India. I hope, therefore, the Government of India will not take it as an offence if I say that they do not do the right thing at the right moment. The Tariff Board's Report asked for protection in 1927, and it is now that they have come forward with this proposal. Naturally, therefore, the suspicion has risen in this House whether it is really for the cotton textile industry in India or whether it is for the benefit of Lancashire that this proposal has been made. I hope the Honourable the Commerce Member will make this point very clear when he gets up to speak and reply categorically to this House, that it is in the interests of India and that it is entirely due to the present depression prevailing in the country. Had it not been for that, they would not have come forward here to penalise the consumer. I hope, Sir, that the real debate, if it is to take place, will take place on the motion of my friend Pandit Madan Mohan Malaviya, and at that stage we will be able to understand whether it is not in the interests of the consumer that we ought to have a preferential duty.

**Sir Darcy Lindsay and Several Honourable Members:** The question may be now put.

**Mr. Jehangir K. Munshi (Burma: Non-European):** Sir, I have no connection with the cotton industry and I do not claim to have any special knowledge about it. Although I am neither an industrial magnate nor an economic expert, I refuse to surrender my judgment either to my Honourable friends Sir Purshotamdas Thakurdas and Mr. Mody on the one hand or to my Honourable friend Mr. Birla on the other hand. As a practical legislator, I consider it my duty to approach the question before the House without racial prejudice and without any economic bias.

Sir, the starting point of the controversy over the principle of Imperial Preference was the Honourable the Finance Member's budget speech. As I have associated myself with a certain amendment under unfair conditions forced on this House by the Government of India, I wish to make my position quite clear on the question of Imperial Preference. I propose, Sir, with your permission, to deal with certain salient passages from the speeches of the Honourable the Finance Member and the Honourable the Commerce Member and to examine the attitude of the Government of India towards the question of Imperial Preference on the one hand and the question of Fiscal Autonomy on the other hand. The Honourable the Finance Member, in paragraph 48 of his budget speech, made the following statement:

"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 and it is on this basis that our deliberations have proceeded throughout."

Now, Sir, I would ordinarily accept a statement when it is made in all earnestness by a Member of the Government on the floor of this House. The position of the Government is that Fiscal Autonomy is a reality and that fiscal decisions are really left to the Government of India. We have obtained certain information from the Government Benches which shows that, before His Majesty's Government addressed the Government of India, the proposals of the Government of India were to raise the revenue duty from 11 per cent. to 15 per cent., and to impose a protective duty of 3½ annas per pound on plain grey goods. The Government of India have admitted that it was only after the communication was received from His Majesty's Government that they changed their ground. Now,

[Mr. Jehangir K. Munshi.]

Sir, is Fiscal Autonomy a reality so far as this House is concerned? Neither Sir George Schuster, nor Sir George Rainy has gone to the length of suggesting that any kind of Fiscal Autonomy vests in this House; the only claim made is that it rests with the Government of India. Then, Sir, the Finance Member goes on to say in paragraph 50 of his budget speech :

"We explained to His Majesty's Government that in placing this proposal before the Assembly we should point out that so far as we are aware this is the first occasion on which the considered opinion of the Cabinet has been conveyed in this form to the Government of India and that we were impressed by the significance of the precedent so established."

In paragraph 51 he goes on to say :

"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."

Now, Sir, I do not know if my Honourable friend Sir George Schuster meant these words when he uttered them in this House in the course of his budget speech. I take it that he did. I go further and take it that Sir George Schuster means these words now and adheres to them. I will repeat them :

"To put our carefully considered views before the Legislative Assembly with whom the final decision must rest."

But, Sir, the Honourable the Commerce Member takes up an entirely different attitude, and this divergence of attitude has created doubts and apprehensions in the minds of the Opposition.

**Mr. President:** If the Honourable Member is not prepared to conclude his remarks within 10 minutes, I propose to adjourn the House.

**Mr. Jehangir K. Munshi:** No, Sir, I cannot conclude in 10 minutes.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 27th March, 1930.