

overseas in Mesopotamia, Palestine, East Persia and other places. The impression is entirely erroneous. Every item of expenditure involved by the employment of these troops overseas is borne by His Majesty's Government. Under the arrangements laid down by the Government of India, His Majesty's Government pay not only all the effective charges of these troops while they are out of India but also pay the cost of their depots in India, the cost of the leave granted to such troops when they return to India and a proportionate share of the cost of the administrative services of the Army in India together with a proportionate share of non-effective charges.

The net effect of all these variations, both civil and military, is shown below :

				(Crores.)
Customs revenue more	...	...	plus 7'3	
Railways (inclusive of adjustment for exchange)	...	...		
worse	...	...		—7'6
Income-tax revenue more	Excess profits	1'5	plus 3'9	
	Super tax	1		
	Income tax	1'5		
Military expenditure more	...	...		—15'2
Profit on wheat purchases	...	...	plus '9	
Exchange charged to non-commercial revenue	...	...		
heads	...	...		— 2'6
Paper Currency Reserve interest less	...	...		—1
Interest charges on debt more	...	...		—2'5
Land revenue less	...	...		—1'4
Opium revenue less	...	...		—'8
Net revenue from Posts and Telegraphs less	...	...		—'8
Other variations, representing mainly increases	...	...		
in civil expenditure	...	...		—2'5
Net variation from budget	...	...		—22 3

The House will be able to draw the obvious moral from the figures which I have just given of the excess of expenditure over revenue in the current year. Members will perhaps recollect that the deficit in the previous financial year, 1919-20, was Rs. 23 crores, due, I need hardly say, entirely to the Afghan War, and that in 1918-19 the deficit was Rs. 6 crores. These deficits, including that of the current year, have been, or are being, met either by increasing our floating debt, i.e., by issuing fresh treasury bills to the public, or by issuing fresh currency notes against the security of

treasury bills created *ad hoc*, i.e., against our own I. O. Us. I feel confident that the House will agree with me that it is impossible to allow this process to proceed further. The path which the necessities of the war, and the chaotic condition of the world's trade and exchanges which followed the termination of the war, have forced us to tread, in common with all other countries though fortunately to a smaller extent, is a broad and easy one, but, if followed continuously, can only lead to national bankruptcy. Certain of the countries of the world have slipped so far down the hill of financial demoralisation that it needed the International Conference at Brussels to emphasise this elementary fact. It is true that India has sinned less than most other countries; it is also true that our recent deficits have in the main been due to war or warlike operations on our frontiers. But the fact remains that we have been outspending our income, and unless we take early steps to make both ends meet we shall assuredly find sooner or later that, with our revenues mortgaged and our credit impaired, not only will there be no money for the development, moral and material, which India so greatly needs, but it will even be difficult to carry on the administration at its present level of efficiency. To retrace one's steps uphill is never a pleasant process, but it is a process which is determined to set its finances in order. I lay down two propositions as elemental and essential. In the first place we must either by decreasing our expenditure, or by a combination of both measures, make our accounts balance. In the next place, in so far as we are not able to fund our floating debt or a reasonable portion of our fiduciary note issue in our long-term loans we must also direct our financial policy in such a way as to replace from revenue the deficits which we have been financing by the expedients which I have mentioned. For, camouflage the situation how it may, no country can continue indefinitely to live on its overdrafts; even worse is it to attempt to paper over the chasm between revenue and expenditure by the simple process of printing currency notes.

There is still something more to be said if I am to give the House a full and complete idea of our real position. In the first place, there is the effect upon central revenues of the Reform system of finance; Honourable members will be able to gauge this effect when I mention that if the new classification, which is to come into force on April 1st next, had been in existence in the current year, then according to the budget estimates of revenue and expenditure the Province, after paying to the Central Government the contributions fixed by Parliament, would have had in the aggregate about 11 crores more revenue at their disposal, and, therefore, the Central Government 11 crores less. I do not wish to draw a picture of the

Provincial Governments luxuriating in newly found riches; the extra revenues which they are about to receive have been, in the case of most Provinces, to a large extent already hypothecated to the financing of the wholesale revisions of pay of all establishments and particularly subordinate establishments, which have been sanctioned during the past two years. My point is that, but for the new financial arrangements, those increase of pay could not have been financed at all, and it is upon central revenues, therefore, that the burden of doing so has really fallen.

Secondly, although no specified programme of reduction has been laid down, we are committed to the progressive reduction of the provincial contributions—an undefined but none the less certain liability on central revenues. The third point is rather more technical, but I will endeavour to describe it shortly. Certain of our gains or losses by exchange are credited or debited as the case may be to the revenue account. (I have mentioned above that in the current year the direct debit to the exchange head will be slightly over two and one-fourth crores, besides which a sum of one and one fourth crores will be charged to the commercial heads). Such revenue credits or debits do not, however, cover the whole field of our exchange gains or losses. During the course of each year our balances are continually being remitted one way or the other by what are called our "remittance" transactions (e. g., Council Bills, Reverse Councils, recovery in London of expenditure incurred by us in India on behalf of the Home Government, and other similar transactions.) In all transactions there is a real gain or loss. During 1919-20 there was, on the whole, a gain; this was not credited to revenue but remained in suspense, the final credit outstanding at the end of the year being 5 crores. During the current year, however, the net loss, other than the loss which has been met from revenue or has been debited to our capital accounts, has been 23·5 crores and the net result is that during the year we shall actually have had to find from our balances about 18 crores. Sooner or later that suspense head must be cleared and save in so far as it may not be cleared by the accrual of direct gains in future years, it can only be cleared by appropriations from revenue. I do not propose any specific appropriation from revenue in the current year (over and above the loss on exchange which the revenue account already has to bear), because it serves no useful purpose to make a paper appropriation in a year which is already deficit; nor, for reasons which will be fully obvious to honorable members by the time I have finished this speech do I propose any specific appropriation in the coming year. But the fact that we have this uncleared head, and are committed to reduce the

provincial contributions must be borne in mind in discussing India's general financial position and the various liabilities which the revenues of the country will sooner or later have to bear. The problems which we shall have to face are not solely due to temporary and transient causes, such as the Afghan War or other\* military operations on the Frontier.

### Revenue & Expenditure

I have dealt with the past; now for the stage of the case at which the Assembly will take up its responsibilities, I mean the finances of the coming year.

I estimate that the expenditure next year, chargeable to Central Revenues, will be 129 crores, against a revenue, on the basis of existing taxation and including the provincial contributions of 983 lakhs, which will amount to one-hundred and ten-half crores. I will give an explanation, as brief as possible, of the estimates which I have taken under the principal heads of revenue.

I have already mentioned the abnormal situation in respect of imports, which has resulted in an inflated Customs revenue during the current year, namely 33 crores as against a budget of twenty-five and half. We must certainly expect a serious slump before long, but the fact that it is quite impossible to gauge either its extent or the time when it will occur makes estimating difficult, and in taking a gross Customs revenue next year of thirty-quarter crores I feel that I am going as high as safety allows.

The next important factor is the Railways. Here while the gross traffic receipts have been steadily increasing, working expenses have increased at a far greater rate, and our net receipts for the past two or three years have been steadily diminishing. After taking a very liberal estimate of 87 crores for gross traffic receipts and nearly 60 crores for working expenses [inclusive of payment of surplus profits] I estimate net receipts of about 27 crores as against 26 expected in the current year and thirty one and half actually received in 1919-20. We estimate gross receipts from TAXES ON INCOME of about eighteen and half crores inclusive of assignments from provincial Governments in respect of their share of income-tax revenue; we have allowed for a reasonable amount of growth in revenue but have been obliged to make some allowance for the present trade depression.

As for expenditure, I need hardly assure the House that, in view of the deficit we have anyhow to face, we are making provision for ordinary civil expenditure on the lowest possible scale. I have been obliged to ask those of my Honourable Colleagues who are in charge of the spending departments to forego new expenditure on objects which I know they have much at heart, and I am sure they will bear witness to the ruthless pruning to which their own budget estimates have been subjected by my Department. I can only express my gratitude to them for agreeing to postpone, perhaps against their better judgment, the many schemes for which they had asked for funds. I knew the misgivings they feel as regards the effect which some of these economies will have upon the efficient working of their departments.

But while we have avoided all fresh civil expenditure as far as this was humanly possible, there are two items for which it was necessary to make some provision, and which require some explanation. I feel very strongly that the time has come when, whether convenient or not we must no longer delay making some provision, for meeting our heavy war indebtedness. As the House knows, we have a large amount of War Bonds maturing between



new and 1930, all of which will have to be met on maturity and for which we have provided no sinking fund. Our policy so far has been to endeavour to fund in one or other of our longer loans as much of this short-term debt as possible, and also a portion of our outstanding Treasury Bills (the amount of which is much too high for safety) and to trust to the ways and means resources of the time to meet the remainder of such bonds as they fall due. Unfortunately, owing to the large amounts which we have been obliged to borrow, both our long-term loans, namely, the 5 per cent. loan of 1929-47 and the 5 per cent. income-tax free loan of 1945-55, are now at a very large discount, and if we are to get any substantial portion of our War Bonds and Treasury Bills converted into these longer loans it is imperative that we should do our best to rehabilitate them. That is one consideration; another is the obvious desirability of providing for the amortising of these two longer loans when they fall due, instead of leaving the entire burden to our successors. Each of these two loans has what is called a "depreciation" fund of 1 & half per cent of the total issue of the loan, which is used each year to purchase and cancel scrip. These funds, however, are insufficient to amortise the two loans completely by maturity, nor are they large enough for the annual purchases to make an appreciable impression upon the popularity of the loans. I propose therefore, with effect from next year, to set aside a further sum of 80 lakhs, to be devoted to supplementing these two depreciation funds. The result should be to enable us to amortise these loans by maturity. I do not think I need say more in justification of this proposal; I feel that I ought rather to apologise for its meagreness. The position is one which must be viewed with all seriousness; we ought really to set apart from revenue some provision for the direct repayment of our short-term bonds, the repayment of which handicaps us in providing funds for railways and other capital purposes. It is only because I do not wish to add to the difficult problems which the House already has to face in the way of finding additional resources that I refrain from proposing much more heroic measure.

I know that there is a feeling in the country that something should be done for the holders of our three and three and half per cent paper, large numbers of whom are people of very moderate means, whose holdings have suffered serious depreciation owing to the raising of large loans in recent years at increasingly high rates of interest. I regret that I do not see how any concession can at present be made to these people, with due regard to the higher interests of the tax-payer. Assuming, as I think the House will agree we must, that we can afford no more than the sum I have mentioned for the purpose of rehabilitating our credit, then the question is one as to the way in which that sum can be spent to the best advantage. If devoted to the granting of some concession to the holders of three and three and-half per cent paper, its effect in assisting the country to meet the many financial difficulties in front of it will be negligible. If spent in improving the position of these two terminable loans, and in helping to provide for their repayment on maturity, its effect should be material.

The other item of expenditure which I must mention is the entry of 542 lakhs for the adjustment on account of exchange, of which 328 lakhs are shown against the head "exchange", and the balance is distributed among the commercial heads. I have already explained the nature of this entry in my remarks regarding the corresponding item in the current year's accounts, and I need only add here that this loss is based on an average rate of exchange for next year of 1s. 8d. He would be a very rash person who would make any prophecy as regards the course of exchange next year. But it is necessary for the purpose of the budget programme to make some rough assumption as to the

level at which exchange is likely to stand, taking the coming year as a whole. All I can say, and I hesitate to commit myself even to this, is that present probabilities point to exchange remaining low during the first half of the year, but that, if we have a good monsoon, then it is not unlikely that there will be a substantial recovery during the second half. If the average rate works out eventually at less than 1s. 8d., then I fear that the deficit will be still further increased. If, on the other hand, the average rate is higher, then, for reasons which I hope will be clear from what I have said regarding the necessity for replacing some of the losses which have so far been met by issuing Treasury Bills, I do not think we should make any deductions in the debit revenue; in other words, I propose that we should commit ourselves to a definite appropriation of a minimum amount of 5.42 crores on account of exchange.

I have left to the last the item which looms largest in our expenditure heads—the provision for Defence. The budget provision for next year has been taken at 62.20 crores. I divide this for the present purpose into ordinary and extraordinary expenditure. It is not proper that we should leave to chance, or in other words should meet from overdrafts, military expenditure which we know to be inevitable. We cannot budget for war, but we ought not to exclude from our budget items to which we are definitely committed, even though they are not of a permanent nature. For this reason I have included 4 crores of extraordinary expenditure, 3 crores representing the continuance of the special expenditure entailed by the occupation of Central Waziristan and 1 crore representing a provision for another special liability, namely, the grant of compensatory concessions to troops disbanded under certain proposals for reduction of establishments which I shall mention later. If there are any savings in such extraordinary provision, they will not be available for increasing the ordinary military budget, but will go towards the general surplus. The balance, 58.20 crores, represents the provision required in 1921-22 for the ordinary charges of the Army in India. The figures for military expenditure will, I hope, be justified to this House by His Excellency the Army Member. Meanwhile it is proper that I should inform the House what this figure of 58.20 crores represents. When we budgeted last year, we had no standard or accepted strength of the army or its attached services. The pre-war standards had gone by the board; nor were the conditions on the frontier and elsewhere then ripe for the drawing up of a definite scheme of post-war strength either of combatant or attached services. We have been busily engaged on this problem ever since; it is a problem on which not only the Army but the civil portion of the Executive Government has bestowed anxious and unremitting labour. I doubt if there has ever been a time in the past when military expenditure and the policy underlying it has been subject to a more complete and drastic scrutiny. The actual combatant strength for the post-war Army at which we arrived last summer is actually somewhat lower than that of 1918-14. It is for that strength that we have provided in the budget, and it is because there will be no inconsiderable reduction of personnel under this scheme that I have found it necessary to make a provision for the grant of concessions to troops which will be disbanded. While, however, we are reducing combatant strength, reduction of expenditure on this score is counterbalanced to some extent by increases in other directions. We have firstly the creation of new services such as the Royal Air Force and Mechanical Transport, and secondly developments and organization required for the purpose of securing a proportion which the present day military opinion considers essential as between the auxiliary services of the Army and the fighting troops. I need not say that the provision made is entirely for our own troops. There is nothing in our budget for troops maintained for

overseas garrisons or warlike operations overseas, nor for depots necessary to maintain their strength; but it will be no secret to the House that the rate of cost of Army services has risen ever since last year and the effect of this on the budget of 1921-22 is reflected in the fact that we have had to provide a sum of no less than 129 lakhs to cover the cost of certain recommendations of the Esher Committee for enhancing the pay and amenities of our troops, of which 83 lakhs will be spent on the Indian officer and soldier. We have also had to provide for the grant of certain allowances to British soldiers recently authorised by His Majesty's Government for British soldiers in general.

The total of 58·20 crores at which we have arrived and which is based as I have said on the post-war strength arrived at last summer represents the minimum sum which we have been able to put forward; I may say that the military authorities originally pressed for and have been denied a very much higher figure than that now placed in the budget. I freely admit that that figure even so is a much higher one than the Government of India can contemplate with equanimity on financial grounds. But we have arrived at the definite conclusion that it was impossible to take a lower figure without a further considerable reduction of establishments, both in the fighting units and in the auxiliary services. There were two obstacles to making such reductions. It must be remembered that the responsibility for the safety of India rests on His Majesty's Government no less than on ourselves. It is His Majesty's Government which would come to our assistance with the Imperial Forces if we were hard-pressed in this country, and that Government could not be prepared, without the most careful examination, to agree that in the present state of affairs in Central Asia, with matters standing as they do between ourselves and our immediate neighbour on the North-West, and indeed in view of certain factors within India itself, a further reduction of our fighting forces is justifiable. In the second place, it must be noted, that with regard to British troops at all events we are in a semi contractual relation with His Majesty's Government which cannot be terminated at short notice. His Majesty's Government have made it clear to us and we have been obliged to accept that conclusion as reasonable that they could not be expected to bear the cost of British troops transferred at short notice from the Indian to the Home establishment. To meet both these obligations it has now been decided by His Majesty's Government that an investigation shall at once be undertaken regarding the combatant strength of the Army in India by a Sub-Committee of the Committee of Imperial Defence. The Home Government has agreed that before we forward to London the material for which we have been asked in this connection, the matter shall be dealt with by a Committee of the Executive Council, on which, of course, some of my Indian colleagues will sit with power to take evidence including that of non-officials. That is how the matter now stands. I ask the House to take it from one who feels no less concern than they must do at this steady growth of our military expenditure, from one whose every instinct has been to seek economy in this respect, that no effort has been spared, that no avenue has been left unexplored in order to keep the budget figure of the present year within its lowest bounds. Let me further assure the House that the financial authorities have, in the past year, made every effort so to reorganise the machinery which deals with the finances of the Army that they may have in their hands the very fullest powers of control. Among other measures, a body of expert accountants from one of the leading firms in England is now touring India with the object of introducing in all Army supply departments a system of commercial costing accounts such as was adopted with excellent results in the United Kingdom during the Great War; and finally we have endeavoured

to fulfil our obligations towards this House by presenting the army estimates for 1921-22 in a new form. Though the military grant is not itself votable, we have thought it right to give the complete details both of strength and cost following in this respect the form adopted by His Majesty's Government on the recommendations of the Select Parliamentary Committee on National expenditure. I hope that the Assembly will appreciate the great advance that this represents.

Taking now all the items of expenditure together, they will amount, as I have said, to 129 crores leaving on our estimates a deficit of Rs. 18 crores. I think our financial arrangements should be directed to obtaining a surplus of not much less than Rs. 1 crore. That was the surplus at which former Finance Members have always endeavoured to aim, and at the present time, when it is by no means certain that we have got to the end of increased expenditure in regard to the pay of the lower grades of public servants, and when moreover there are so many elements of uncertainty in the revenue outlook for next year, I feel that the dictates of ordinary prudence render it all the more necessary not to unduly diminish this margin. The total new resources, which it will be necessary to find, will thus amount to slightly above Rs. 19 crores.

Before I proceed to explain the measures of increased taxation which I propose in order to produce the above sum, I must anticipate a question which, I think, may have arisen in the minds of many honourable members. I can imagine a member, who has done me the honour to follow what I have already said, putting the case to himself somewhat as follows: "I realise that the new classification of revenue and expenditure under the Reforms Scheme had resulted in the revenues assigned to the Central Government falling considerably short of the expenditure which those revenues have to bear. I was under the impression, however that in order to make good that deficit, Parliament on the Report of the Meston Committee decided that contributions amounting to nearly 10 crores should be taken from the provinces. Why then this sudden and large deterioration in the position of the Central Government?" Some of my preceding remarks will already have suggested to the House the explanation for this deterioration in the outlook as appreciated by everyone a year ago. It will probably, however, be useful to members if I summarise briefly the principal variations which have led to it. I have mentioned that the deficit to be faced next year is 18·5 crores. Omitting the estimated expenditure necessitated by the occupation of Waziristan and by demobilisation concessions the net deterioration in the position as envisaged by the Meston Committee is about 14 crores. This is the resultant of the following factors :—

Crores.

- (i) Loss of interest receipts following to the earmarking of interest of Paper Currency Reserve investments to the discharge of Treasury Bills issued to the Reserve to cover the loss from revaluation of sterling holdings in it.
- (ii) Falling off in net revenue from Railways and Posts and Telegraphs (which may be taken as representing mainly the cost of increases of pay of superior and subordinate staff.
- (iii) Increase in interest charges (while formerly the bulk of our investments of the Paper Currency Reserve was in British Treasury Bills, on which

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	we received interest, the bulk of investments now is in the form of Indian Bills, the interest on which is earmarked for a definite purpose).	2'5
(iv)	Loss by exchange on expenditure on revenue account in England (inclusive of expenditure on commercial services) owing to exchange falling below 2s.	5'4
(v)	Increase in military expenditure (present estimate exclusive of special expenditure referred to above is Rs. 58'2 crores against Rs. 55'2 crores adopted by the Meston Committee).	3
(vi)	Loss of net opium revenue (demand for our opium has recently declined).	7
(vii)	Constitution of sinking fund for our long term loans.	8
		<hr/> 22'5
	Partly set off by increase in Customs and Income-tax revenue and other minor variations.	8'5
		<hr/> 14 crores

I think that it is fair to say that no one who considered the matter a year ago could have had any reason to apprehend any such deterioration in the position. The developments which have led thereto have in the main arisen within the past 9 or 10 months; I refer more particularly to the fall in exchange and to the enormous increases in pay which circumstances have since then forced on us. I do not imply that those who thought about the matter were entirely confident that the anticipations upon which the Meston Report was based would be fully realised; but most people were probably moved by two important considerations. In the first place, there was the obvious necessity, in the interests of the success of the Reforms Scheme, to give the new Provincial Governments as generous a start as possible. Secondly, it was a commonplace that the heads of revenue retained by the Central Government were mainly, not only heads of growing revenue, but also those in respect of which there was undoubtedly a substantial margin for increased taxation, which was much less the case with the heads of revenue given over to the provinces.

#### Proposals for Additional Taxation

We have now to obtain from central revenues an additional sum of 19 crores. The first additional source of revenue available is Customs. I think that the House will agree that the existing tariff heads are such that, in the case of most articles both the trader and the consumer undoubtedly bear some increase. The tariff proposals to which I shall ask this House to agree, and which are contained in the Finance Bill which I shall ask your leave, Sir, to introduce this morning, are as follows:

In the first place, we propose to increase the general *ad valorem* duty of 7'5 per cent. to 11 per cent, except in the case

of matches and of certain articles of luxury which I shall mention later, but inclusive of cotton manufactures. I estimate that this measure will produce an additional revenue of Rs. 284 lakhs. We do not propose any increase in the existing cotton exercise of 3·5 per cent. In view of the previous discussions upon this matter, which must be well-known to all honourable members, we felt it our duty to make a previous reference on the subject to His Majesty's Government. We did not, indeed, anticipate that there would be any question of vetoing our proposals, for in view of what the Secretary of State said in the House of Commons when the Government of India Bill was under discussion, and also of the recommendations made in the Joint Select Committee's Report, that in fiscal measures such as this the views of the Government of India if they succeed in carrying with them the approval of the Indian Legislature, should be entitled to prevail. We felt, however that, in view of the very great trade depression in England, which is far worse than anything which now obtains in India, it would not only be desirable, but our duty, to make clear to His Majesty's Government on behalf of India, that our proposals for increasing the import duty on cotton goods, among other articles subject to the general tariff, had the sole object of producing additional revenue and had no ulterior motive of a protective or any other kind. Nay, I will go further and say that it would ill-become this country, at a time when the senior partner of the Empire, upon whom fell by far the severest burden of the war, both in blood and money, is anxiously endeavouring to face the most acute problems of unemployment and trade distress, to requite the services which Great Britain has rendered to the rest of the Empire, including India, by taking the first opportunity to introduce a measure of protection against her manufactures. We made it clear therefore that it is solely our financial necessities, and no new departure of fiscal policy, which have obliged us to propose to the legislature this particular measure. We trust that our fellow-subjects in the United Kingdom will appreciate this and will acquit the Indian Government and legislature of any desire to use their newly conferred liberty of action to injure the country which only a year ago conferred that liberty upon them. It would, indeed, be manifestly impossible for this Government to initiate any fundamental departure in fiscal policy at the present juncture. At present our tariff is purely a revenue-producing tariff which, whatever may be its effects here and there on any particular trade, is admittedly not devised with any object other than that of revenue. We feel confident that not only this House, but also the country at large, would hesitate, and very properly hesitate, to commit themselves to

any fundamental departure until the whole question of India's fiscal policy has been thoroughly and exhaustively examined by a competent and impartial body. We feel, however, that the time has now come when that examination should be begun; we feel further that this examination should not be confined to India's own fiscal needs, but should embrace an enquiry into the steps which India can take in order to recognise her fiscal obligations to the other members of the Empire of which she is a part. We have been in correspondence with the Secretary of State and an announcement on the subject has been made this morning.

I do not propose to obtain any increased revenue from the articles now dutiable at 2-half per cent *ad valorem*. The principal of these are machinery, metals and railway plant, and the House will probably agree that in the interests of India's industrial development increased taxation on these articles is undesirable.

In view of my proposal to raise the general *ad valorem* rate from 7·5 to 11 per cent, while leaving the cotton excise duty at its present figure, 3·5 per cent., I propose to withdraw the concession allowed by the existing tariff by which machinery and stores imported for use in a cotton spinning or weaving mill are admitted free of import duty. I propose that such articles—they are detailed in items 17, 18 19 and 27 of the import tariff schedule—should now be subject to the appropriate duty under the revised schedule. Most of them, certainly most of the important articles, will be liable to duty at 2·5 per cent. I think that honourable members will agree that the removal of this concession is reasonable. The concession was granted when an excise duty was imposed on piece-goods made in this country equal to the duty on imported piece-goods. It was obviously unfair that the Indian millowners should be handicapped against the English manufacturer by having to pay not only this excise duty but also duty on the machinery and the stores which are required from the United Kingdom. But there is no material difference between the rate of the cotton excise duty and the rate which I propose on imported piece-goods, that it is no longer necessary to continue this concession. I estimate that the withdrawal of the concession will yield a sum of 10 lakhs of rupees. It will also be a great administrative convenience since the concession throws a great deal of extra work upon our customs staff.

The second Customs measure which we propose is the levy on matches of a specific import duty of 12 annas per gross boxes in place of the present *ad valorem* duty of 7·5 per cent. This rate would work out to one pie per box of matches, and if, as I hope, there is no substantial decrease of consumption as a result, I estimate

the additional revenue at Rs. 1'10 lakhs. I may point out to the House that the duty in the United Kingdom is 5s. 2d. per gross boxes, while in many other countries it is considerably higher.

Thirdly, we propose to increase the duties on imported liquors as follows :—

	Present duty.	Proposed duty.
	Rs. A. P.	Rs. A. P.
Ale, beer, cider, etc., per gallon	... 0 4'5 0	0 6'5 0
Liquors, untested, per gallon	... 14 10 0	25 0 0
Liquors, tested, per proof gallon	... 11 4 0	18 12 0
Perfumed spirits, per gallon ...	... 11 12 0	30 0 0
All other spirits, per proof gallon	... 18 4 0	18 12 0
Wines—		
(a) Sparkling per gallon ...	... 4 6 0	9 0 0
(b) Other sorts per gallon ...	... 1 12 0	4 8 0

The new rates work out to exactly 3 annas per degree of proof per gallon. I do not propose that we should raise the 7'5 per cent duty on denatured spirits which are used in several forms of industry. Allowing for some reduction in import as a result of the higher duty, I estimate that the above increases will yield additional revenue to the extent of 94 lakhs.

These duties as raised will still be substantially lower than the duties levied in the United Kingdom. We have come to the conclusion, however, that, for the present, any attempt to go substantially higher would probably not yield any further revenue and might in fact yield less. I may remind the House that the present high scale of duties on alcohol in the United Kingdom was not arrived at *per saltum* but worked up to by a series of increases spread over a number of years.

The fourth measure is the raising of the general *ad valorem* duty of 7'5 per cent to 20 per cent. in the case of certain articles of luxury, such as motor cars, motor cycles and tyres (excluding lorries), silk piece-goods, fireworks, umbrellas, clocks and watches, musical instruments, cinematograph films, etc., a full list of which is given in the Finance Bill which I shall shortly introduce. The additional revenue from this measure is estimated at Rs. 2'14 lakhs.

The fifth customs measure is the raising of the present import duty on foreign sugar from 10 to 15 per cent; I estimate the additional yield at 65 lakhs.

Sixthly—and this is the last of my tariff proposals—I propose that the duties on tobacco, other than unmanufactured tobacco, be increased by 50 per cent. in other words, I propose a duty of



Rs. 2-4 instead of Re. 1-8 per lb. on manufactured tobacco, and 75 per cent instead of 50 per cent. *ad valorem* on cigarettes and cigars. After making some allowance for a probable decrease in consumption next year, I estimate that this measure will produce an additional revenue of 40 lakhs.

Any proposal to enhance the tobacco duties usually raises the question of a tobacco excise. An excise duty on manufactured cigars has been considered from time to time, and has in the past been the subject of some discussion with the Secretary of State. On the last occasion it was held that an excise on cigars was undesirable as it would almost certainly damage the cigar industry in Madras, and involved, moreover, considerable practical difficulties in collection. We have again considered the matter but feel that we might possibly damage what is to a large extent a cottage industry, and a source of livelihood to many people in Southern India, and that in any case it is very doubtful whether in view of the amount likely to be obtained and of the practical difficulties in the way the matter is worth pursuing. I admit that there is much more to be said for an excise duty on machine-made cigarettes. The industry is prosperous and an excise duty of 8 annas per 1,000 cigarettes would probably bring in some 10 or 15 lakhs. In favour of the proposal it might also with considerable justice be urged that, if the duties on imported tobacco are increased by 50 per cent. while tobacco manufactured in India is left untouched, the whole of the increase will be borne by that small section of the populace which buys the imported article, and the rest of the tobacco users in India will escape altogether. I admit the force of this argument, and previous discussions have shown that the proposal, unlike that for an excise on cigars, is quite practicable. Our view, however, is that an excise tax on Indian made cigars being impracticable, an excise tax on Indian made cigarettes will be open to the objection that the poor man's smoke is being taxed and not that of the comparatively richer European or Indian whose smoke is an Indian cheroot.

I now come to the question of the income derived by the country from its immense and valuable railway estate. It is probably no news to the House that the net income from railways, after allowing for interest charges, has recently, in spite of a steady increase in gross traffic receipts, been decreasing. In the year before the war the net profit to the State, after defraying all interest charges and paying to the managing companies their share of the surplus profits, came to 7.19 crores. During the war working expenses were abnormally low, mainly owing to the fact that material for replacements and renewals could not be obtained from

abroad. In 1916-17, therefore, the net profit rose to 11·22 crores, and in 1917-18 and 1918-19 to 14·87 and 15·85 crores respectively. With the return of more normal conditions, the profit has considerably decreased; in 1919-20 it fell to 9·35 crores, and in the current year it will probably be no more than 5·08 crores. On the basis of our estimates for next year, and assuming that no change be made in the rates, the profit would be only 4·09 crores. I submit therefore that, quite apart from our present financial necessities, a moderate increase of rates, particularly on goods traffic, the rates for which are mostly still on a pre-war basis, could be amply justified on business grounds. It is not possible, however to re-adjust the various rates in time enough to give us the money we need during the next financial year. In the case of goods rates it is a particularly cumbrous business and requires very careful consideration in consultation with our traffic experts and with the railway companies. We have asked the Railway Board to examine the matter carefully during the course of the next year in order to see what enhancements of rates are possible. Meanwhile, as a temporary measure, we propose to make a substantial increase in the surcharge on goods traffic which was imposed in 1917. The existing rates are 1 pie per maund on coal, coke and firewood and 2 pies on all other goods. We propose to substitute the following rates: (1) 6 pies per maund on coal, coke, firewood, food grains and fodder; (2) 2 annas per maund on certain valuable commodities which can bear a high rate of tax, such as piece-goods, pressed cotton, jute and ironware, timber and oils; (3) 1 anna per maund on all other articles of general merchandise not falling within those two categories. At present there is a free zone for goods carried 10 miles or less, which we propose to extend to 20 miles.

The existing surcharge is small and is probably not felt appreciably by the traffic. I fully recognise that any substantial increase must have a somewhat uneven incidence, as the surcharge has no reference to length of journey and its effect is practically the same as a terminal tax. The increase now proposed is therefore intended to be in temporary substitution for a general increase of goods rates. In the event of it being found possible before the end of the year to raise the latter to the necessary extent, such increases will be substituted next year for part or whole of the additional surcharge now to be imposed. We anticipate that the additional revenue so obtained will amount to approximately 5·5 crores.

The remarks which I have just made, regarding the justification, as a business proposition, for an increase in railway rates, apply with somewhat greater force in the case of our postal rates.

It has not hitherto been easy to say precisely what we are making or losing over the administration of our post-offices, as our general accounts do not show as debits or credits to the Post Office certain items of expenditure and revenue which, if the accounts were kept on a strictly commercial basis, would appear therein; the administration report of the Department does, indeed, attempt to work out the profit and loss, but we cannot place too much reliance on the figures. (I hope to remedy this before long, as I have made arrangements with the firm of chartered accountants in London of whom I spoke above to over-haul our Post and Telegraph accounts.) Meanwhile, it is at any rate safe to say that our net revenue from the Post Office has been steadily diminishing, owing to the very large growth in working expenses mainly due to increased pay of the staff, and that next year the Postal Department will, unless the charges we make to the public for postal services are raised, actually be running at an appreciable loss. I propose the following measures:—

(1) Abolition of the half-anna postage for letters, the charges in future to be one anna for letters not exceeding two and half tolas in weight, and half an anna for every additional two and half tolas.

(2) Raising to half an anna the quarter-anna postcard.

(3) Rate for book, pattern and sample packets to be raised from half an anna for every 10 tolas to half an anna for every 5 tolas or fraction thereof.

(4) At present the initial rate is quarter anna for registered newspapers not exceeding 8 tolas in weight, and half anna for papers not exceeding 40 tolas. I propose that the maximum weight to be carried for a quarter of an anna be reduced to 5 tolas, and that for half an anna 20 tolas.

(5) I do not propose any revision in the parcel postage rates which were revised as recently as May 1919. It is true that if we raise the initial charge for the letter from half to one anna for two and half tolas, it is somewhat anomalous to carry a parcel not exceeding 20 tolas in weight for 2 annas; but in view of the revision made 18 months ago and of the fact that the matter is one of great importance to small industries, we believe that it would be a mistake to revise the parcel rates again so soon.

(6) Raising of rates of commission charged on inland money-orders to the level of those in force up to 1902.

The net result of the above measures will probably be an increased revenue of two and one-fourth crores. I fully appreciate the objections, which I know that the House will feel, to altering the present postal rates, and personally I shall be very sorry to see the piec postcard and the half-anna rate for letters abandoned. Cheap postal communications are of the highest importance to this

country, and there is no doubt, that the fact that we have probably the cheapest postal service in the world has been of immense benefit in aiding the country's progress. Further, it might be argued that it is not fair to consider the postal service apart from the telegraph service, as the two form one Department. Owing to the fact that our inland telegraph rates are now decidedly high, having been deliberately raised in order to enable the Department to cope with the immensely increased traffic, it is possible that the combined Department may show some profit, though I should be willing to affirm this definitely until we get a true costing account. But the claim may be made in some quarters that, so long as we are not showing a proved loss on the combined Department, the justification on business grounds for raising the postal rates does not hold good. To such arguments I have only one reply and that is, financial necessity. Postal rates, as cheap as they are at present, are a luxury which the country can no longer afford.

The increases of taxation which I have so far mentioned should in the aggregate, if nothing untoward occurs, yield an additional revenue of 16 crores. To obtain the remainder it will be necessary, if we are to avoid an increase in the salt duty, to resort to increased direct taxation, namely, an increase in the present taxes on income. As regards ordinary income-tax, an examination of the figures shows that, even if it were not undesirable to do so, we should not obtain much additional revenue by raising the present rates of tax on the smaller incomes. We propose, therefore, to leave the lower grades of income tax alone, and to increase the upper grades so as to work up to a maximum of 16 pies instead of 12 pies as at present. The result will be to increase substantially the tax on companies' dividends; for under the income-tax law the tax is levied on dividends; at the maximum rate, subject to certain returns. I am afraid it would not be practicable, however, to give any concession to companies, for it is from the latter that most of our income-tax proceeds is realised. As regards super-tax on individuals we propose to increase the rates on the higher grades of income so as to work up to a maximum of 4 annas in the rupee on any excess over 3½ lakhs of income. The Finance Bill, which will be in Members' hand this morning, will show the exact scale of the new grading. We estimate that the increases in income-tax and super-tax combined will yield a total additional revenue of three-quarter crores.

The total yield of the additional taxation which I have proposed will amount to Rs. 19'17 lakhs, the deficit of Rs. Eighteen and one-third lakhs in 1921-22 being thus converted into a surplus of 84 lakhs. While my other proposals, if accepted by the Legislature will have effect from the 1st April, the revision of the Customs tariff will come

into force from to-day, and the additional revenue during the current year which is estimated at Rs. 70 lakhs will go to reduce to that extent the deficit of eleven three-fourth crores which we anticipate in the current year.

## Ways and Means.

### (A) Current Year

There are many Members of the House who will no doubt consider the statement of our revenue position and our proposals for taxation as of primary importance. But, I must, in the interests of those who desire to appreciate the whole financial position, detain the House while I refer to our ways and means position and to our capital expenditure. First, as to the current year. Very briefly, the position in the current year, taking the figures on a 2s. basis, is that we anticipated that we would have to meet liabilities, either in India or in England, to the extent of slightly over 46 crores, of which the most important were a railway capital expenditure of 19 crores (after allowing for a gain of 3·5 crores from exchange), nineteen and one fourth crores for repayment of the 1920 War Bonds, and drawings by the provinces upon their balances to the extent of 6 crores. We expected to finance this by drawing on our opening balance to the extent of 12 crores, raising a loan in India of 15 crores, a credit of 10·5 crores from the disposal of war stores and another of 8 crores from exchange gains, and various miscellaneous receipts aggregating about 11 crores in all. We hoped that these resources would not only be sufficient, but more than sufficient, to meet the above mentioned liabilities, and that we should be able to reduce our floating debt, in the shape of treasury bills issued to the public, by some 10·5 crores.

Actually, our liabilities have amounted to 96 crores; our railway capital expenditure has been some 25 crores (owing to the difference in the rate of exchange at which the sterling outlay will now be brought to a count), and, further, we have discharged not only the whole of the 1920 War Bonds, but some 9 crores of the 1921 Bonds which were accepted in payment of the 6 per cent loan issued this year. In addition to what may be called the above more or less normal transactions, we have, however, had to finance from our ways and means resources a heavy loss due to the sales of Reverse Councils. In order to meet the Reverse Councils sold by us, which since the 1st April have amounted to £31 million, the Secretary of State has had to withdraw and realise a large amount of the sterling securities held in the Paper Currency Reserve. These were of course originally valued on a 1s. 4d. basis, and the net result has been a loss of some 17 crores in the course of the current year; added to which, a further loss of 2·5 crores resulted from our selling

Reverse Councils at a rate above 2s. These and other losses which have resulted from our remittance transactions are at present held in suspense, but as I have already mentioned, will sooner or later, except in so far as they may be reduced by a demand for Councils at above 2s., have to be met from revenue. As already stated, the Imperial surplus of 2 crores anticipated in the budget has been converted into a deficit of 11 crores. Even therefore, with large increase over the expected loan receipts (30 crores against 15), our resources have fallen considerably short of our requirements, and we have been obliged to resort to the temporary expedient of supplying the gap by a further issue of currency notes backed only by our own securities, viz., treasury bills created *ad hoc*. This issue of unbacked notes has during the current year so far been to the extent of thirty two and three-fourth crores apart from the issue of 18½ crores made in October last in accordance with the recent Paper Currency Legislation to cover the deficiency in the revaluation of sterling holdings in the Reserve, which does not however affect our ways and means position. On the other hand, I hope that by the end of the year we shall have reduced the amount of treasury bills outstanding in the hands of public from 43 crores at the beginning of the year to 37½ crores.

Altogether, then, the ways and means operations of the year may be summarised as follows:

<i>Liabilities.</i>			Crores
(1)	Railway capital outlay (inclusive of exchange)	...	25½
(2)	Delhi capital outlay (inclusive of exchange)	...	1½
(3)	Irrigation capital outlay (inclusive of exchange)	...	7
(4)	Discharge of debt	...	28½
(5)	Discharge of railway debentures	...	5
(6)	Imperial deficit	...	11½
(7)	Discharge of treasury bills issued to the public	...	5½
(8)	Exchange loss on remittance transactions, gold transactions, etc.	...	23½
(9)	Miscellaneous items	...	2
Total			96½

which have been met as follows:

(1)	Reduction of cash balances	...	14½
(2)	Rupee loan in India	...	29½
(3)	Issue of treasury bills to Paper Currency Reserve	...	32½
(4)	Net Receipts from Savings Bank deposits and cash certificates	...	3½

(5) Credits under the War Stores suspense account	... 14.1
(6) Provincial surplus ... ..	... 1.4

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Total... 96.2

The above summary refers of course to our ways and means position as a whole, i.e., in India and England combined, and omits remittance transactions which merely effect the transfer of our balances from India to England, or *vice versa*. As regards our balances in England, I have already referred to the extent to which the Secretary of State has had to draw on the sterling securities in the Paper Currency Reserve in order to meet our sales of Reverse Councils. The extent to which we had to have resort to the Currency Reserve was, however, £2 million less than the Reverse Councils and gold purchases for which he had to pay; the remainder together with his other outgoings, i.e., our ordinary home charges, he has been able to meet by means of his recoveries from the Home Government in respect of our rupee expenditure on their behalf, the total amount of such recoveries during the current year being probably about £53 million.

#### (B) Next Year

I now turn to our capital liabilities and probable assets for next year. Our first important liability is the discharge of the 1921 war bonds for which we have to find fifteen and three-fourth crores, and there is an undischarged balance of about half crore of the current year's loan for which it is necessary to make provision. Secondly, although under the Reforms Scheme irrigation is entirely a provincial subject, several provinces will need to borrow from us in order to finance the irrigation projects now in progress; some of them have also asked for loans to cover various items of quasi-capital expenditure. These latter we have been obliged to restrict substantially, but in the net we have undertaken to make provision for loans, including those required for irrigation purposes aggregating a crore and three-quarters. Thirdly, the provinces expect to draw on their balances with us to the extent of 6.5 crores. These three liabilities, therefore, amount to twenty four and one-fourth crores.

Before I consider our further liabilities such as the amount to be allotted for the railway capital programme, for capital expenditure on New Delhi, and for certain other purposes, it will be convenient if I turn for a moment to the question of what provision we shall enter for our own rupee loan. We are budgeting for a rupee loan in India of 15 crores. I hope that we shall get more; but as I shall show presently, any such excess should, I think, not

be taken into our present calculations, but earmarked for a purpose which I shall mention. As regards the amount we are likely to obtain, I cannot of course say anything here, as to the terms which we shall offer. We have to remember that we have been working the Indian money market assiduously for a number of years and have raised sums far beyond the dreams of pre-war financiers. We have been enabled to do this, partly, as a result of public patriotism and of energetic propaganda during the war itself, and partly, and I think to a greater extent, owing to the very great trade prosperity which the war brought to India. Nevertheless, we have had gradually to advance our rate of interest. In 1914 we were borrowing on a 3½ per cent basis; we have in successive years had to offer 4 per cent, 5 per cent, 5½ per cent income-tax free for short-term loans, and in the current year we were obliged to offer 6 per cent, income-tax free. Further, various Provincial Governments will probably be competing with us in the market; one of them indeed has already done so with considerable success. I do not wish to strike an undue note of pessimism here, but the House will probably agree that there is an obvious limit to the extent to which we can go on depreciating our credit. We have already suffered considerable loss of money power by the very heavy depreciation in the price of our main securities. Further, we have seen the end of the big trade boom, and there are unmistakable signs of our having already entered upon that period of trade depression which always characterises a transition from higher to lower prices. Altogether, I do not think it would be right to expect that we can hope to raise anything like the large sums which we succeed in raising during several of the war years.

We have, I need hardly say, also turned our attention to the feasibility of raising a sterling loan in the London market. Hon. members are probably aware of the conditions obtaining in England, and will understand the practical difficulties in the way of our raising a substantial sterling loan; nevertheless, we hope the Secretary of State will be able to effect something in this direction, and we are accordingly budgeting for a sterling loan of £5 millions.

I now turn to our remaining liabilities. I do not think I need lay stress on the necessity for freeing ourselves as early as possible from the embarrassments which follow from the present volume of our floating debt and from an inflated currency. Nevertheless, in view of the necessity for finding what money we can for the railway programme we here felt unable for the present to make any specific provision for a reduction in our floating debt, or for the cancellation of the treasury bills held in the Paper Currency Reserve, save in so far as this is automatically provided for by the Indian Paper



Currency (Amendment) Act XLV of 1920. I am afraid that some of our financial critics will place their finger upon this meagre provision as being a weak point in our ways and means budget. We propose, however, should the rupee loan bring in more than the 15 crores budgeted for, to devote such excess to the purpose of making a further reduction in our floating debt or of the deflation of the currency. I feel very strongly that these objects have the first call upon any surplus [assets that] the operations of next year may give rise to. I have already spoken at some length on the urgent necessity for taking early steps to rehabilitate our financial position. I will only add here that in my opinion the interests of the country will be best served by our concentrating our energies upon freeing ourselves as soon as possible from the financial embarrassments which are a legacy of the war. The sooner we do this, the sooner will our hands be free to make additional funds available for purposes of railway expansion, or for loans to the provinces to assist their industrial progress and development and to help them to finance the very large irrigation projects which in the course of the next few years will, we hope, be ready for construction.

In these conditions we have not felt justified in making provision for a railway capital programme larger than 15 crores, as against the 22.5 crores programme budgeted for in the current year. Indeed, we have felt some hesitation as to whether we could justly find even this figure, but anything less than this will so restrict the provision of necessary renewals, and of new rolling stock, as to react very seriously upon the carrying capacity of our railways. I am fully aware that in many circles this provision will be regarded as inadequate. I realise also that it would be a penny-wise and pound-foolish policy to kill the goose that lays for the tax-payer so many golden eggs. Nevertheless, in the opinion of Government, great as are the interests concerned in a progressive railway policy, the interests of the country as a whole are greater, and in the long run it will be to the latter's interests; and, indeed to those of the railways themselves, that we should first clear the way by putting our finances in such a position that they will in future be able to bear the burden of larger capital expenditure in various directions of development, of which railway development is no doubt the most important. Otherwise, our credit will continue to depreciate, and we shall be able to borrow less and less. Further, I would suggest to this House that, as guardians of the tax-payers' interests, they cannot altogether overlook the fact that the net receipts from railways, excluded interest charges, amount at present to just under five per cent of the total capital at charge. I do not

wish to stress this point unduly; the best way of improving our railway dividend is (apart from raising fares and rates) to increase the railways' carrying capacity, and that cannot be done without an adequate supply of capital. My point is that, until we free ourselves of the various financial embarrassments which I have mentioned, and thereby improve our credit, it is hopeless for us to expect to raise money except at a rate higher than that which the railways at present earn on their capital. As the House is aware, various schemes for enabling more money to be found for railways have been suggested in the evidence taken by Sir William Ackworth's Committee, such as raising by the railway companies, or by some Indian domiciled companies founded to take their place, or by special railway debentures. We shall of course consider very carefully any recommendations that the Railway Committee may submit to us, and should any such schemes mature, no one will be more pleased than myself, but, so far as next year is concerned, I am afraid that we can only rely on the funds that Government itself can make available from its own borrowing.

Meanwhile, I must invite the House's special attention to the fact that the difference between the railway capital grant for the current year, namely, 22½ crores, and the 15 crores which we propose to fix for the coming year, is not so great as the figures might imply. This time last year as honourable members know, we anticipated that exchange would remain above 2s., and that consequently the financing of a capital grant of £22½ million would require a rupee expenditure of only 19 crores. For next year we are, as I have mentioned, assuming an average rate of exchange of 1s. 8d. This will mean that to finance a capital programme of £15 million, a rupee expenditure of 17 crores 80 lakhs will be necessary, so that, so far as actual expenditure of rupees is concerned, the difference between the two years is only just over a crore.

The only other item to which I need draw the House's attention is an entry of one crore for the Delhi capital outlay. As regards irrigation, I have already reminded the House that under the Reforms scheme, irrigation projects will, in future, be financed by the Provincial Governments concerned. If they cannot find the money from their own balances they will either borrow the necessary capital from us (as several Governments will do in the coming year) or raise it in the open market. Although we ourselves are no longer directly concerned with the financing of irrigation projects, the House will probably be interested to know that there are now several large projects which have been for some years under consideration, but the schemes have either

reached or are approaching maturity. The two most important of these are the Sukkur barrage project and the Sardha canal in the United Provinces. There has, for various causes, been for several years a comparative fall in the amount of irrigation construction in progress but before long when the projects which I have mentioned and several others are in full construction the amount of funds necessary to finance them will reach a considerable figure. In fact, according to an estimate made some months ago, it will be necessary, if the programme as at present envisaged is to be worked up to, for the various provinces to find a total sum of no less than 72 crores for irrigation during the next fifteen years.

Altogether, the ways and means transactions of the coming year may be summarised as follows :—

<i>Capital requirements</i>		<i>Crores.</i>
(i) Railway capital outlay (inclusive of exchange)	...	17'8
(ii) Delhi capital outlay (inclusive of exchange)	...	1'1
(iii) Discharge of debt (War Bonds)	...	16'2
(iv) Loans to provincial Governments	...	1'7
(v) Drawings by Provincial Governments from their balances	...	6'3
Total		43'1
<i>Resources from which met</i>		
(vi) Reduction of cash balances	...	6'6
(vii) Rupee loan	...	15'0
(viii) Sterling loan	...	5'0
(ix) Net receipts from Savings Bank Deposit and Cash Certificates	...	4'2
(x) Recovery in respect of money orders issued by Iraq Administration in 1919-20	...	3'5
(xi) Imperial surplus	...	'8
(xii) Net credit from exchange	...	5'0
(xiii) Other items	...	3'0
Total		43'1

In concluding my remarks upon our ways and means operations I must say a few words regarding the Secretary of state's position next year. This is a matter which at the present time is of particular interest and importance, because of its bearing upon the future course of exchange. We anticipate that the total

expenditure which the Secretary of State will have to meet in London will be about £46 million. Now, it will be obvious at once to honourable members that if it were necessary next year to put the Secretary of State in funds by means of the sale of Council Bills in London, such Council Bills, if sold to any large extent, would act as a very severe deterrent to any recovery in exchange which the trade conditions of next year might otherwise lead to. Fortunately we do not anticipate that, humanly speaking, there will be any necessity for the sale of Council Bills during the year. In the first place, we shall be recovering from the War Office about £20 millions in respect of rupee disbursements made by us on their behalf. From his own cash balances and from certain other sources, the Secretary of State will probably be able to find another 12 million. We also hope, as I have already stated, that he will be able to raise a sterling loan of about 5 million. He will need, therefore, a further £8 & three-fourth million. Now what is the position as regards sterling reserves? We have some £8 million in the Paper Currency Reserve and no less than £38 million in the Gold Standard Reserve. It is obvious, therefore, that the Secretary of State, by operating on those reserves, i.e., by transferring them to India, should be able to avoid the sale of Councils for a considerable period. He would draw upon those reserves in London, while we should credit thereto in India an equivalent amount of rupees, the net result being a transfer of the reserves, to that extent, from England to India. During the next financial year we expect, as I have said, that he will only have to place himself in funds from these reserves to the extent of £ eight & three-fourth million, and this can be found almost entirely from the Paper Currency Reserve.

A year ago we were being criticised very severely for supporting exchange, at the high level then existing, by the sale of Reverse Councils. More recently, we have been criticised in several quarters for not making use of the Gold Standard Reserve to stabilise exchange at the level to which it has subsequently fallen. Our more recent critics point out that the very *raison d'être* of the Gold Standard Reserve is to support exchange. I entirely agree. My reply is that the best and most effective way of utilising that reserve is in order to keep the Secretary of State in funds and to avoid his having to sell Councils at a low rate of exchange. When one considers that the Secretary of State has over £46 millions of sterling reserves, apart from his cash balances and apart from any other assets that may accrue to him in England, there is surely some justification for a refusal to feel unduly pessimistic about the future course of exchange. For unless it be contended, and I have not yet heard the assertion made, that the balance of trade

has now set permanently against India, and if it be agreed that the present trade conditions are highly abnormal, then it can only be a question of time before a return commences towards a more normal state of affairs. When that happens, there must be a balance of trade in India's favour and unless that balance be satisfied by the sale of Council Bills, exchange must rise. Then, and not till then, will in our opinion be the psychological moment to make full use of our sterling reserves, rather than to dissipate these now, in efforts to stabilise exchange at some rate which, from the very nature of the existing conditions of the world's trade, could not be made permanent. If there is one lesson that can be drawn from the events of 1920 it is surely this ; if, as we are told, a mistake was made last year in endeavouring to stabilise exchange when conditions were so abnormal, let us not repeat that mistake by trying to do a similar thing when, owing to a violent swing of the pendulum, the converse position is equally abnormal.

#### Conclusion.

I have concluded my task. For the deficit of the present year, the House, knowing the facts regarding the unusual expenditure which we have had to incur on the Frontier, and on heavy increases of pay to all our establishments, was not, I think, unprepared. I can appreciate its disappointment at finding that our deficit for the coming year will be so heavy as to involve taxation on the scale which I have had to propose. My own personal feelings must, I am aware, at such a moment count for little. But for myself, the regret which I feel is not at having to announce a deficit or propose fresh taxation : my regret is that this Assembly should at the outset of its career be forced to face problems for which I feel that it can find no solution which will not bring it some unpopularity in the country. I believe whole-heartedly that the immediate political future of India depends on the strengthening and consolidation of the forces now represented in this Assembly. It is an unkind stroke of fate that circumstances should force us to place on this Assembly a burden which would be no easy one for a body occupying a position compacted by tradition and fortified by a long career of national service. But regrets will not cure hard facts. Circumstances have turned against us, as they have turned against so many countries in the last year, and the circumstances must be faced. But let us bear in mind, that in proportion as we confront our present difficulties with courage and with breadth of vision, by so much shall we justify this, the first Imperial Assembly, to those who will come after us, the future Assemblies of a greater India,

## The Legislative Assembly.

DELHI—1ST MARCH 1921.

On this day, after the presentation of the Budget, Sir Thomas Holland, moved for leave to introduce the Bill to amend the Indian Factories Act of 1911, and said that the proposed amendment embodied important principles of reforms now generally recognised as necessary in the humanitarian interests of labour. The distinctive features of the Bill were the result of the ratification by the Indian Legislature of the labour convention last month.

Mr. Seshagiri Iyer moved for leave to introduce a bill to declare rights of Hindus to make transfers and bequests in favour of unborn persons in Madras city. He said that the Madras Act was intended to apply to all Hindus within that Presidency and the Madras High Court recently held that it had no power to take away the right of a person domiciled within the ordinary original civil jurisdiction of the High Court to be governed by Hindu Law as it stood, when the Royal Charter Act 24 and 25 Victoria was issued. The Bill was introduced without opposition.

## Trades Union.

Mr. Joshi then moved that the Governor-General in Council should take steps to introduce at an early date in the Indian Legislature such legislation as might be necessary for registration of trade unions and for the protection of trade unionists and trade union officials from civil and criminal liability for bonafide trade union activities.

He said that they must follow the example of England. The status of a trade union and its officials must be fixed in the eyes of law. Then there was the question of civil liability. According to the civil procedure code injunction could be issued against persons who broke a contract, also against those who induced them to break contract. He referred to the case of Mr. B. P. Wadia in the Madras Buckingham Mills case, and the fact that injunction was issued against him by the Judge, he said, showed that trade unionists were not free from liabilities. It was alleged in that case that Mr. Wadia's activities were actuated by malice. A strike necessarily involved injury to an employer and it was very easy for a Judge to say that there was malice. This charge was all the greater against Mr. Wadia on account of the fact that he was a politician.

It was necessary they should consider the position of trade unionist in the eyes of law very carefully and afford him the same protection which was afforded to him in England. The English section on this point made it absolutely clear. Similarly a trade union official must be protected against criminal liabilities. The

Government should undertake necessary legislation in India and employers in this Assembly should help the Government in passing that legislation. Employees had organised themselves into several associations to protect themselves and to bargain for more gains. Similarly labourers must be allowed to protect themselves and to bargain for what they wanted.

After a good deal of discussion the House eventually accepted an amended resolution recommending Government to introduce :  
"As soon as practicable \* \* \* such legislation as may be necessary for registration of trade unions."

DELHI—2ND MARCH 1921

Rai Jadunath Majumdar Bahadur moved an interesting resolution regarding the equality in status and allowances to members of both Houses of the Indian Legislatures. He said that the Assembly's position was more responsible than that of the Council of State and he did not see the reason why they should be branded as inferior (Laughter). The Council of State could not be called a House of Elders as young men of thirty were there (Laughter). The Assembly had power over the budget but the Upper House had none. Supreme legislative authority belonged to both Houses. (Applause). If the Council could revise the Assembly's bills, the Assembly could revise the Council's bills. It had been said that honours and titles were silken chains which bound the intelligentsia to the Government. If that was so, a wise Government ought to use this force to its full extent and give the title "Hon'ble" to the Assembly members. (Laughter). In other Colonies and Dominions no difference existed in the status of members of the bi-cameral Legislative Chambers. What specially pained the members of the Assembly was that in view of the usefulness and dignity of this House it should be branded as inferior.

There was a long and lively debate on the subject and some of the speeches, especially Mr. E. Norton's, were full of humour. Most of the non official members including Mr. Norton and Sir Frank Carter amongst the Europeans were in favour of the spirit of the resolution. After the debate Rai Bahadur Jadunath Mazumdar, in reply pointed out that his resolution did not want more rupees or any title, but merely aimed at the removal of all distinctions. He strongly criticised the opposition shown to his resolution by Mr. J. Dwarkadas, Mr. Joshi, and especially deplored the action of the Govt. who, he said, are woefully blind both to their own interest and to the interest of the country.

The resolution was then put in two parts, the first relating to placing the Members of both the Chambers on an equal footing in

respect of allowances, and the other placing them on an equal footing in respect of honorary titles to be borne by them during their term of office. The first part was put and declared carried. The second part was then put and declared lost.

Dr. Gour claimed a division, and the motion was again put to vote and lost.

Sir William Vincent claimed a division. The House divided, with the result that the second part was also carried amidst loud non-official applause, 50 voting for and 41 against it.

#### Frontier raids

Dr Nand Lal moved a resolution urging the appointment of a Committee to enquire into the frontier raids. Dr. Nand Lal narrated the distinctive features of the frontier raids for the last ten years, emphasising the depredations and ferocious attacks and lawlessness that prevailed at the frontier. Their continuance took away the prestige of the Government which failed to guard its subjects. The frontier policy of the government should be changed to suit the changed times. Effective measures could only be suggested by a Committee to end the atrocious outrages against humanity.

The resolution was put to vote and lost by a very large majority.

#### Export of Cattle

Dr. Nand Lal moved for prohibition by legislation of the export of cows, bullocks, and buffaloes from British India to any foreign country. He referred to the physical deterioration of the people for want of sufficient supply of milk, and consequently their inability to withstand any disease, and quoted statistics to show that more than one lakh and thirty thousand cattle had been exported, and in this way India had lost a good deal of its strength.

Mr. B. Venkatapathi Raju moved an amendment to the effect that the Government should prohibit the export of good breeds of cattle from British India to any foreign country till the Government was satisfied that India had enough and to spare.

Mr. Sarma, on behalf of the Government, said that he would accept the amendment if Mr. Venkatapathi Raju would agree to some modifications, which Mr. Venkatapathi Raju accepted, and the resolution, as further amended, was put and carried.

#### Interest on Government Securities

Mr. T. Rangachariar moved that steps be taken to increase the rate of interest payable on 3 and 3-half per cent securities to 6 per cent or to take such other measures as would secure the restora-



tion of the pre-war market rates of those securities. He said he was fully aware of the financial difficulties of the Government, but he still pressed it, because he was convinced of the justice of the cause he had taken up. Poor people, who had invested their whole in Government securities, were in a miserable condition. Three and a half per cent interest suited the pre-War days when things were very cheap, but now 3-half per cent. interest did not fetch even of what it did then.

The motion was put and lost.

#### Programme of Future Sessions

Mr. E. L. Price moved that in future sessions of the assembly the programme should be, as far as possible, so arranged as to provide for meetings being held regularly every day, Sundays only excepted, in order that the burden of service might fall more reasonably on the non-official members attending, and that the period of their detention at Delhi or Simla might be reduced to a minimum compatible with the efficient working of the Assembly.

He observed that last month, during a certain period of nine days, the Assembly sat only for two days. The non-official Europeans, who were not a leisured class, but a very hard-working class, would deem it impossible to stay in Delhi for a period of nine days in order to attend the Assembly for two days.

Mr. Price had not gone through half of the speech, when the President declared an adjournment till Saturday, the 5th March, when Mr. Price would be allowed to finish his speech.

### The Council of State.

DELHI, 3RD MARCH 1921

On the Upper House meeting on the 3rd March Mr. Moncrief Smith, Secretary, read a message from the Secretary, Legislative Assembly, saying that, at its meeting of the 1st March, the Assembly rejected the motion to commit to a Joint Committee the Bill to amend the Code of Criminal Procedure, 1888, and the Court Fees Act, 1870. Sir William Vincent requested the President to give his ruling as to what measures should now be taken under the rules.

The Hon. Mr. Muddiman (President), in giving his ruling about the question that arose, by the Legislative Assembly having vetoed a resolution of the Council for reference to a Joint Committee of both the Houses, of the Bills to amend the Criminal Procedure Code and the Court Fees Act, said :

The procedure by a reference to a Joint Committee is a new one to this Council, that arises out of the double Chamber arrange-

ment, and I think possibly that the Hon. Members will bear with me for a minute or two, while I examine the position at some length. The procedure, by a reference to a Joint Committee, is a device which enables the Chamber, in which a Bill does not originate, to take part in the discussion on the Bill at a very early stage of its progress. In Parliamentary practice, procedure by a Joint Committee is most frequently resorted to in cases where the Bill has a peculiarly technical or legal importance, or where the subject matter is, as in the case of a Bill which is familiar to all Members of this Council, *viz*, the Government of India Bill, rather removed far outside the ordinary sphere of party politics. It may be as well to say a word as to the case in which a motion for a Joint Committee has been carried in both Houses and the Bill duly committed; for I have ascertained that there is some misapprehension on this point. When the Joint Committee has completed its deliberations, a copy of the report is laid in both Houses, but if a Bill emerges from the Joint Committee, that Bill is moved on and dealt with in the Chamber in which that Bill originated, as if it had been a Bill committed to an ordinary Select Committee. The Bill, as passed in the Chamber, then goes up or down to the other Chamber as the case may be, and is passed, amended or rejected in the usual way by that Chamber. That Chamber has the same power of discussing the principles of the Bill and amending or rejecting any and every clause, as if the Bill was any other Bill passed by the other Chamber. It is not usual, if a Chamber, to which a resolution proposing a Joint Committee is referred, is unwilling to accept the recommendation, to avoid a direct negative and, by a dilatory motion, to allow the question to lapse. In the present instance, however, a direct disagreement has been intimated. The message must have been moved on with very little notice in the Assembly and disposed of promptly, for the resolution of this Chamber was only passed on the 28th February, that is on last Monday. I have been asked a question also as to the procedure to be followed when a message to the kind now under consideration is set down. I do not wish to commit myself to a definite ruling on the point, but I would say that it is desirable that a message of that kind should be accompanied by a copy of the Bill referred to in the message, and that, speaking generally, in the absence of urgency, the motion for the consideration of the message could not be put down till Hon. Members or Members of the Assembly have had an opportunity of considering the Bill. I have been further asked as to what is the nature of the speech that should be allowed on that motion. That, of course, is a matter primarily for the consideration of the mover, but as I have been asked my opinion, I will state it in this form, and that is, that, speaking generally, it should be much

the speech that would be made on the introduction of the Bill in the originating Chamber. We are now faced with the position where the Assembly have given a direct negative to a recommendation of this Chamber, and the Hon. the Home Member has asked me to state my opinion as to the course available. We are still new to the rules, and, therefore, I will propose to do so. It is clear that the course contemplated by Rules 30 and 39 of the Indian Legislative Rules is not open, for this is not a case of the amendment of a Bill. On the other hand, this Council has, of course, full session of the Bill, and it is open to the Honourable Member in charge, subject to the rules as to the notice, to make any other motion in regard to the Bill that he could have made after introduction. I shall have to rule, I think, that he will not be entitled to repeat in this session the motion for a reference to a joint Committee, for, Standing Order 30 stands in his way. That Standing Order runs as follows: "a motion must not raise a question substantially identical with the one on which the Council has given a decision in the same session." Even if I came to another conclusion, I think it would have to be so ruled. In another place Rule 4 contemplates a conference, by agreement by both Chambers, to discuss a difference of opinion, but even if the prohibition of identical motions in the same session did not operate as a bar to any practical result during this session, I can find no parliamentary precedent for a conference on a matter of procedure of this kind when an alternative action in this Council is available. The sum and substance of my remarks comes to this: That if the Honourable Member moves and this House be willing, in all the circumstances, to consider a fresh motion for a reference to a Joint Committee, that motion cannot be made in the session. I hope that I have explained the matter fully.

#### Duty on Motor Spirit.

Mr. Sethna moved for the removal of excise and customs duty on motor spirit that was levied since March 1917.

It was put and lost.

#### Slaughter of Cows.

Lala Sukhbir Singh moved for prohibition by Legislation of the slaughter of cows in India for food, except for sacrifice on Bakr-Id and for the appointment of an All-India Commission that might enquire and report on measures which should be taken to improve the breed and increase the number of milch and agricultural cattle in India. He made a long speech in which, after comparing the growth of cattle in India with that in Switzerland, Denmark, Canada, New Zealand and other countries, he pointed out the need for agricultural cattle in this country and for improvement in the

quality of breed for agricultural purposes. He proceeded to read out several extracts from many speeches to show that there was a strong feeling in the country, including Muhammadans, for the prevention of the slaughter of cows. The motion was put after a short discussion and lost.

#### Religious Matters and Public Opinion.

Sir Zulfikar Ali Khan moved that the Secretary of State be addressed with the object of securing full consideration to public opinion in this country before any matter was decided, which concerned the religious susceptibilities of any class of His Majesty's subjects in India.

After a short discussion the motion and an amendment of Syed Raza Ali on the Khilafat were withdrawn.

#### Riots and the Use of Fire Arms.

Mr. Sastri moved that the Code of Criminal Procedure and, if necessary, other enactments be so amended as to secure the following points in the suppression of riots and unlawful assemblies. First, no firearms should be used except on the written authority of a Magistrate of the highest class that may be available on the spot. Secondly, in cases of grave emergency, when no Magistrate is available in the neighbourhood, the Chief Police or Military Officer present on the spot, may, if he considers that riot or unlawful assembly cannot be suppressed otherwise, employ firearms. But the onus of proving the emergency and impossibility of securing the presence of a Magistrate within the proper time shall lie on the officer so acting. Thirdly, before resorting to firearms that Magistrate or other Civil or Military Officer responsible shall read or cause to be read a proclamation both in English and in the local vernacular. Fourthly, firearms shall not be used for one hour after such proclamation has been read, unless in the meantime the assembly or the crowd actually causes serious damage to person or property. Fifthly, before the crowd is actually fired upon, the fullest warning shall be given. Sixthly, the Magistrate or other Civil or Military Officer responsible shall take all reasonable precautions to see that no more injury is inflicted on the crowd or the assembly than is absolutely necessary. Seventhly, the sanction of the Governor General-in-Council should not be a condition precedent to the institution of a criminal prosecution against the officers or other persons who have acted illegally in suppression of riots. Eighthly, every such prosecution shall be instituted in and triable by a Sessions Court having territorial jurisdiction, with the previous leave of such Court or the High Court of the Province.

Mr. Sastri said that the various provisions of his resolution were nothing more than a reproduction of the existing practice in India and in England. Firearms being deadly weapons, he wished that clear provisions should be made for their use in the existing meagre section of the Criminal Procedure Code. The first part that required the written authority of a Magistrate was a most important requirement in English law, and in cases of emergency it was provided in the second section that the chief military or police officer could act in the place of the Magistrate, but the onus of proving such emergency would be on that officer. This was essential, so that if a public enquiry was held, the conduct of these officers should be justified by them. The third part described the reading of a proclamation. The object of this was, in the words of Lord Haldane, to protect the Officers against judicial findings that might be instituted by the aggrieved party or against public enquiry. The fourth provision desired that, unless, in the meantime, the assembly had done serious damage, one hour be allowed after the reading of the proclamation before fire arms were used. All authorities on law agreed that this was essential to allow innocent persons to separate themselves from the guilty elements of the crowds, and one hour was required as it would take considerable time before an innocent man could elbow his way out. The fifth and sixth provisions were already part of the *Police Manual*. Coming to the seventh part, Mr. Sastri said that this part was in conformity with English law. It was considered axiomatic in England that, after riot had been suppressed, the Government Officers should be in a position to stand a judicial or public enquiry into their conduct. Mr. Dicey also said that Officers would be liable to be called into account after the use of fire arms. Now in India, unfortunately, the institution of any judicial enquiry required the sanction of the Governor-General, and generally a public enquiry was denied, and whatever enquiry was held was conducted by the Executive on its own actions, and as a result it was announced to the world that nothing had been done beyond the necessity of the case. This state of affairs was causing grave soreness of feeling among the people. If an officer resorted to fire-arms, he should be bold to stand a judicial or public enquiry and justify his own conduct. The aggrieved party should have a free hand to institute judicial proceedings without being made to go through an extraordinary procedure of getting the sanction of the Governor General. He found that in the case of finances the Government's accounts were to be checked by an independent authority, like the Auditor-General, who would directly report to the Secretary of State. Now, if such a precaution upon the Executive's action could be devised

in the matter of finances, how could it be that in a matter of human lives the Executive should be made to say the last word on its own actions? The whole Criminal Procedure Code was offering substantive provisions without proposing a remedy. To judge whether those provisions have been rightly used by the Executive, the grant of the right to the aggrieved party to institute a case in a Judicial Court was invariably essential in all well-developed systems of jurisprudence. The Executive should hereafter be made liable to stand a judicial enquiry.

Sir William Vincent replying to Mr. Sastri's resolution, said that the Government were always anxious to meet the wishes of this Council as far as possible, and in the course of the last few days they had given every indication of this desire. But if he (Sir William) was unable to meet the Council on this occasion, it was because some of the proposals of Mr. Sastri were both impracticable and unsound. The first proposal was that no fire-arms should be used except on the written authority of the Magistrate. This was neither the rule nor the law in England or India. He quoted from a book which stated that experience in England had showed that in a riotous assembly, unless action was taken at once by the Executive officer, all law would be swept away and every species of crime was sure to follow. There was no question, therefore, proceeded the Home Member, that in England there was any question of statutory obligation requiring the possession of the written authority of a Magistrate before a Police Officer could disperse an assembly. It was impossible to carry out Mr. Sastri's proposal in this respect, because, if in a case an Executive Officer, like a Superintendent of Police, had to depend on the written order of a Naib Tahsildar or an Honorary Magistrate, that was not a position to which an Executive Officer would submit. Some latitude must be given to Executive Officers to use their discretion as to when and when not to use force. He (speaker) had heard of no civilised country in the world where such a written authority was required. Further, the Members must know that there were some limitations already imposed on these officers before dispersing riotous assemblies. As regards the second proposal, that is, that the onus of proving the emergency and impossibility of securing the presence of the Magistrate within the proper time should lie on the Executive Officer. Sir William observed that it was not in accordance with the ordinary principles of justice, and said that if that proposal was to be accepted, there would be very few soldiers and Police officers who would be willing to accept service. Proceeding, the Home Member touched clauses three and four, and said that Mr. Sastri had based his arguments on an absolute misconception of English Law.

The effect of the English Act was only to make a crowd disperse within one hour before it was fired. A reading of the English Riot Act would not justify the proposition that fire arms should not be used if occasion meanwhile demanded it. For example, in the Katarpur riot, what was the Executive Officers to do when they saw that many innocent Muhammadans were being burnt? Any one who had seen a mob in India, a mob with wild passion, a mob capable of doing every kind of mischief, ready for homicide in a rage, a mob on their errand of wickedness, would admit that it was impossible to expect a Police Officer to wait for one hour before he began to fire. That proposition, therefore, could not also be accepted. As for the next proposition, that before a crowd was actually fired upon, fullest warning should be given, the Home Member pointed out that this was being done already, and there was no need for that suggestion. The same remarks applied to the seventh clause that all reasonable precautions must be taken to see that there was no unnecessary loss of life. As for the seventh clause, Sir William pointed out that the proper authority on these matters was the Executive Government which, under the new regime, would be more and more under the influence of the Legislature. The last proposition was also unacceptable, because it must be noted that during the next few months there might be serious disorders in the country. This Council, which consisted of men of substance, must make it possible for their officers to do their duty and not make them liable to unnecessary prosecutions.

H. E. the Commander-in-Chief then addressed the Council. So far as military officers in the army were concerned, he said that the task of aiding civil power, when the military were called out to do so, was one which was most repugnant to all military officers, and they must be left to judge when to use fire arms and when not; but Mr. Sastri's last two proposals certainly did not help the officers, and the present legislation was therefore impossible in the circumstances.

After a lengthy speech by Mr. Dadabhoi strongly opposing the resolution and one by Mr. Khaparde supporting it the resolution was put clause by clause, and, except the fifth and sixth, all other clauses were negatived. Two clauses, one concerning the proclamation and the other concerning freedom to the aggrieved party to institute cases against officers without the previous sanction of the Governor-General or Governor were put to division, the former being rejected by 26 to 15, and the latter by 28 to 12.

## The Legislative Assembly

DELHI—5TH MARCH 1921

The Assembly met on 5th March and Mr. Price's resolution moved in the last sitting was taken up. After Dr. Sapru and Sir William Vincent had spoken explaining the arrangements that had been made for holding meetings of the House Mr. Price's motion was put and negatived.

## English Translation of Gujarati Accounts

Mr. Narayandas Girdharidas moved that in the matter of submission, by the Gujarati and Marwari communities in the Madras Presidency, of the English translations of their accounts and statements of income to the income tax authorities, in addition to their accounts and statements kept and maintained in their own languages, the local Government be directed to dispense with the additional requirement of an English translation.

The resolution was by leave withdrawn.

## Bihar and Orissa Executive Council

Mr. R. Sundar Das moved that the Secretary of State be urged that the vacancy caused by the retirement or going on leave, preparatory to retirement, of the Civilian Member of Bihar and Orissa Executive Council be not filled, and the Bihar and Orissa Executive Council be thereafter composed of only two members and not three as at present.

He said that, at a time when his province was suffering from flood troubles and high prices, it was no use carrying an elaborate administrative paraphernalia. The greater the cost of administration, the poorer the tax-payer. Moreover, the existing arrangement was neither in conformity with the "Montford" Report, nor of the Joint Parliamentary Committee, nor in the spirit of the Declaration of August, 1917.

Mr. Sinha in reply said that the present motion had been a subject of considerable anxiety for sometime past. The constitution of the Executive Council of Bihar and Orissa was the same as it existed before the Reforms came in. The speaker quoted the report of the Parliamentary Joint Committee on the question of the strength of the Executive Council as carrying half of the Indian element. He said the Government, in reply to questions on this subject, had admitted that the constitution of the Bihar Executive Council, though not in conformity with the letter of the Joint Committee Report, was thought to be in accordance with its spirit. The speaker denied that the Government's action was either in accordance with



the letter or spirit of the said report. The question of economy in funds in the poorest province of Bihar was essential, and, in the words of the Joint Committee, special skill would be required in developing its resources. However, the Government's answer that a European among five Indians would be too small had caused a great amount of dissatisfaction in the country as ventilated by the press. Leaving aside the Nationalist press, even a notoriously moderate paper, like the *Citizen* of Madras, took great objection to the Government's answer, which scented distrust of Indians and lack of confidence in Lord Sinha. The import of Government reply, as given by the Home Member, was that whenever any new Indian Governor was appointed, a proportion should be observed among the Indian and European elements. This was nothing but a sort of suspicion and distrust. Unless the Home Member would give a further explanation, his previous reply would continue to form a serious allegation against Lord Sinha for lack of confidence and for lack of keeping equal balance between Indian and European members.

Sir William Vincent, on behalf of the Government, in amplifying the information he gave to questions on this subject, referred to the Montagu-Chelmsford Report, and said that there was in the minds of the authors the necessity of increasing the number of Indians and not that of Europeans. The Bihar Government now consisted of six members, of whom four were Indians, and if the present resolution was accepted, there would be four Indians and only one European. Since the formation of the Council, there had been two Europeans, and rightly or wrongly the Government thought it undesirable to reduce this number to one. Lord Sinha was a person who had rendered conspicuous service in public life, and Sir William repudiated the suggestion that the Government of India had not the fullest confidence in him, because the Government of India regarded him as one of the most eminent men in this country. In Bihar there were very large European interests like the planting communities, etc., and so the Government thought it would be right to have two European Members with administrative experience on the Executive Council. The Government thought that there would be considerable increase of work with increased Government, and it was thought undesirable to break away too rapidly from the old tradition and reduce the European Members to one.

Proceeding, Sir William said : "I am authorised to say that the present arrangement was come to with the approval of Lord Sinha. He himself did not want, in the first year of his office, to change

the existing arrangements, but always with this provision that it was considered as a temporary arrangement. I am glad to see that there is no suggestion made in this Council, either by the Hon. Mover or any one else, that this arrangement was made solely in the interests of the Indian Civil Service. I admit that the province is poor, but that will not support the idea that the expense of one more European Member is more than it can bear, and I might add that the province makes no contribution at all to the Central Government."

The resolution was put and carried by a non-official majority without a division.

#### Non-co-operation

Mr. Muhammad Yamin Khan then moved his resolution asking for a Commission of three elected Members of the Assembly and two elected Members of the Council of State and two officials to thoroughly investigate into the real or supposed grievances of the people leading to Non co-operation.

The Mover showed that he was merely bringing in the Khilafat question once more. He seemed to resent the interference in the Government of India of the Secretary of State, and suggested that if Parliament had a hand in controlling India, then India should be represented in the House of Commons. Otherwise, there should be complete severance.

Non-Co-operation now was in its infancy, and if steps were now taken to study the grievance, bloodshed would be avoided. The Indian Legislature could not recommend any action unless there were grounds for the grievances of the people : how many of these were genuine, how many superfluous, and how many of them could be met. This could be attained by a Committee as suggested by him. This Committee should go to every corner of the country and examine villagers as well as city-folk and the educated classes. The Punjab might have its martial law grievances, while Bengal might have some other. Non-Co operation had given shelter to all real and supposed grievances of all people in every part of the country. Colleges were being emptied, and people, and even dead bodies, were being socially boycotted. This state of affairs should not be viewed with equanimity. During the last month, the Punjab and the Khilafat had been discussed in both Houses, but the result of the debate on these two issues, which gave birth to Non-Co-operation, was nil. The Government should, therefore, enquire into all grievances and remedy them all at once.

Mr. Ginwalla moved an amendment, including non-participation in Burma to be examined. He observed that the non-participation

movement in Burma had nothing to do with the Non-Co-operation movement of Mr. Gandhi in India. The non-participation movement in that Province was entirely a protest against what the Burmans believed to be the manifest injustice that had been done to them in the matter of Reforms from the Secretary of State down to the local Government, and was quite different from Mr. Gandhi's spinning wheel or soul-force or any such fantastic scheme.

Sir William Vincent addressed the House on behalf of the Government. He said that the discussion on this resolution had covered such a very wide field that it was very difficult to accept it. Mr. Ginwalla's amendment had referred to Burma's non-participation movement, and he (Mr. Ginwalla) had dwelt upon the question of Burma Reforms. But it must be remembered that during this month the Secretary of State proposed to introduce in Parliament a Bill for the Reforms Scheme in Burma, and he (speaker) put it to them, as practical men of business, as to whether there was any useful purpose which could be served by starting a fresh investigation into that question. Moreover, the resolution asks for a roaming enquiry into questions like the Burma Reforms, the Khilafat, the Punjab and Dominion Self-Government, and it might be that it could not finish the enquiry within ten years. In the meantime, there was a Conference considering the Treaty of Sevres.

Proceeding, Sir William Vincent referred to the several questions one by one. As regards the Khilafat, he informed the House that the Secretary of State had added Dr. Ansari of Delhi to the Muslim Deputation to the Near East Conference. Further, the Government of India, in reply to their cablegram containing the views of the Council of State on Mr. Bhurgri's motion and the views of Mussalmans of both House of the Legislature, had received a reply from the Secretary of State which stated: "I lost no time in communicating the representation of the Council of State to the Prime Minister, and I am sure that both the Council of State and your Government must be aware that I am leaving no stone unturned in anything which may possibly lead to a final settlement which should be found acceptable by the loyal Indian Muslim opinion" (Applause.) It would thus be seen that there would no practical purpose be served by appointing a Commission with regard to the Punjab.

He referred to the debate on Mr. Jamnadas Dwarkadas' resolution, when it was decided *not* to interfere with that question. The Hunter Committee and the Congress Sub-Committee had already explored the causes of the Punjab question, and "did this

Assembly seriously suggest," asked Sir William, "that it should be resuscitated or revived after a lapse of two years, when it was absolutely impossible to ascertain the truth on either side? The proposal of the Mover, therefore, stood self-condemned".

Alluding to the question of India's desire for Dominion Self-Government, the Home Member said : We are committed by Parliament to a certain stage in political advance, and we are doing our best to work up for the future progress of this country. I am trying to give evidence of it, and I am glad to say that I have seen much evidence of it from the non-official members of both Chambers. The proposal of the Mover is not really practical politics. Complete Self-Government on the lines of the Dominions connotes self-defence or power of self-protection. No one can say that at this moment this country is prepared to defend itself, either from external aggression or from internal dissensions. There is only one power constantly operating against these forces in this country, and that is British rule. Take away that force and you will have disintegration all round, and very probably there will be chaos and anarchy, and the country will probably come under military despotism, such as is existing in Russia. The condition existing in this country are akin to those in Russia. In India the spirit of National consciousness has been awakened, largely in urban areas, by the British Government through their system of education, and although it has not yet permeated thoroughly into the masses in rural areas, yet it is still, I am glad to say, permeating slowly. What one great aim of every Indian now should be is the consolidation of that feeling of solidarity throughout the country. Until you can secure that feeling, it is impossible that this country would be able to resist the various forces which I have just mentioned, forces arising out of diversity of race and religion, differences in custom and great distances. The creation of this National consciousness among the masses, I believe, is the greatest benefit that the British Government has ever conferred upon the people of this country. If the Council attempted to receive Self-Government at once, or tries to go too far in this way now, I believe you would be only risking all of your future political progress. There is very much greater reforms now than even the Montagu-Chelmsford scheme had contemplated. Is this proposed Committee, then, in accordance with the instructions from His Majesty's Government? Is it not, therefore, our duty now, here in this Council, so to work these Reforms that at once we may move towards our ideal in a reasonable way and not by any revolutionary processes, such as is contemplated by the Non-Co-operation party? There are some who say, "I will get rid of the British Dominion, come what may." But

that is not a reasonable proposition when this country is promised and is securing gradual realisation of Responsible Government by ordered progress. (Applause.)

Dr. Sapru said that he had never deceived himself on the question of Non-Co-operation, and it was impossible for him to speak on it more strongly in his present position than he had already done in the happier and freer days of private life. He had heard it said very often that this Assembly did not represent the real country. The House should not, therefore, deceive itself that a Committee consisting of elected members of both the Chambers and two officials of the "Satanic" Government would carry any conviction in the minds of those who would not be happy until they have secured Swaraj within 48 hours or by October the latest. He asked them, as practical men, if any Commission on the lines suggested would carry the Non-Co-operators with them. (Cries of No, no.) Then, if the object of the resolution was to convince the Moderates that there was unrest in the country, it was useless, and if it aimed at persuading Non-Co-operators to take the view of the so called sensible section of the population, then, again, it was hopeless, and unless some resolution was brought, asking the Non-Co-operators to form a Committee to report on the grievances of people, it would not be to their credit. If to-day a commission was appointed, to-morrow it would be challenged as not representing the country's views. Why then should there be a request for a Committee which, so far from being a credit to this House and removing the spirit of unrest, would further the difficulties? Certain members had laid stress on the grievances beside the Panjab, Khilafat and the attainment of Swaraj. He failed to get a single specific instance quoted by any member of the so called grievance which the Government should attend to. Concluding, Dr. Sapru said: Speaking not as a member of the Government, but as an Indian, and speaking by the "faith in me," I venture to submit to this House that it is time for us to consider whether the road towards that goal which every one of us has in view lies through Non-Co-operation, or by the vindication of our capacity to work in this House and by complete removal of the doubts which may legitimately be entertained with regard to our capacity.

The resolution was put and lost by a great majority.

#### *DELHI—7TH MARCH 1921*

##### *Madras Members' Speeches.*

Before Mr. Chowdhuri Shahabuddin's resolution for a Committee on the Esher Report was taken up, Mr. T. Rangachari (Madras) drew

attention to the standing orders 130 and 132 which required two day's notice for the discussion of the demands for grants under each separate head, and observed that the notice issued to members had lumped together all grants for all heads, and it was therefore impossible for the members to give two days' notice as required under rule 132.

Mr. Hailey explained that the Government were unaware how long the House would like to take to deal with each head and what imperative importance they would attach to each grant. For this reason, the Government were unable to suggest definitely the allotment of time. In future years, however, the Government would certainly ask for the allotment of definite time. Mr. Hailey recognised the difficulties of the members at the present moment, but he asked the President to interpret the rules in the most liberal sense in accepting the notices of demands for grants.

The President promised that he would interpret the rules as suggested by Mr. Hailey.

#### The Esher Report

Mr. Chowdhuri Shahabuddin then moved that a Committee consisting of the following members of the Assembly, namely, Mr. Samarth, Sir P. S. Sivaswamy Aiyar, Mr. T. Rangachariar, Rai Jadunath Majumdar Bahadur, Sir Jamsetjee, Mr. Ginwalla, Lt.-Col. Herbert, Lt. Col. Gidney and the Mover, under the Chairmanship of Hon. the Law Member, be appointed to consider the report of the Esher Committee and to report their recommendations to the Assembly on or before March 21st 1921. He traversed the ground taken up previously by Sir Sivaswamy Iyer, and said that the report was of exceptional importance to India from the military, political and financial points of view.

Sir Godfrey Fell on behalf of Government appealed to the House to accept the motion and then the resolution was put and carried unanimously.

## The Budget Debate.

Rai Jadunath Mazumdar Bahadur started the discussion on the Budget. He confessed that he was not a diplomat, but a plain man, and as such he wanted the House to take it seriously that the Budget which was introduced by the Finance Member with a horrible countenance would only fan the dying embers of Non-Cooperation. Taxes on sugar, beverage, etc., were the only silver lining in the dark and ominous budget, which, Mr. Mazumdar said, he received with disappointment, despite Mr. Hailey's proclamation

that unless the House shared the responsibility with the Government they would be declared unfit and useless. The best way of meeting the difficulty was reducing the military expenditure which was proving to be the last straw on the camel's back. The Government's duty did not consist merely in protecting India against foreign aggression, but in advancing her moral and material prosperity by seeing that the people were well-fed, well-clothed and well-housed. Let not the Government cast a hopeful glance on the monsoon, but adjust themselves by storing water in time and also encourage sugar industry for which this country was noted before the advent of the British. The Government's heart must beat in union with that of the people, and then and then only could there be peace and contentment in the land.

Mr. V. Raju said that the Budget was suffering from a squandering mania, and fully showed bankruptcy of statesmanship. The whole speech of the Finance Member was a masterpiece of apologies which could not bring comfort to suffering humanity. The appalling Army expenditure, multiplication of departments and extravagance on the administrative machinery were being attended to at the cost of the prosperity of the country. While the League of Nations was urging for the reduction of armaments, the Government of India, a member of the League, was taking the Army expenditure beyond the limits of the safety of National prosperity.

Mr. R. Currimbhoy said that the policy of the maintenance of exchange by selling reverse councils had given great impetus to import trade balance against India. (Applause). The constitution of the Currency Committee was such as could not inspire confidence in this country, and unfortunately, Dr. Dalal's predictions had come to be true. The Government had frittered the great resources of the country in following the sale of councils which was dictated from Whitehall.

Mr. J. Dwarkadas said that if a deficit of 18 crores had to be met no better way for taxation could have been found than as suggested by Mr. Hailey. However, the Budget was very gloomy, and seeing that the Army was going to consume more than fifty per cent of Indian revenues he urged a wholesale reduction in the military expenditure.

Mr. M. Ramji took strong exception to Mr. Hailey's remarks about Indian importers. The policy of the Government in the beginning was to support exchange and thus they held out hopes to merchants of exchange not falling below two shillings. At this the Indian importers sent orders for goods, but, in the meanwhile, the Government stopped supporting exchange which fell considerably. Thus did the Government cheat the merchants. Now, taking Mr.

Hailey's views, if the Government could foresee what was coming, why did they hold out false hopes of stabilising exchange? The commercial morality of India was better than that of any country in the world. (Cheers.) A grandson would pay the liabilities of a grandfather even if there was no written compact.

Mr. Sarfaraz Hussain Khan deprecated any curtailment of military expenditure on the Frontier so long as normal condition was not restored and so long the Bolshevik menace lasted and Central Asia was in a state of ferment.

Mr. T. Rangachariar said that he had tried to judge the Budget by the test of efficiency and economy, but it had raised nothing but indignation in him. He found that the spirit of untouchability had made its way into the Budget even under the new era. Out of the whole Budget they could vote on something like 25 crores of expenditure. The budget for Army was untouchable. It was just giving power to touch Registrars and Sub Registrars, but not the bigger people. (Laughter.) He asked Mr. Sarfaraz Hussain who had approved of Army expenditure to remember that our revenue of 88 crores would go to Army. India could not bear this with equanimity. He was sorry that they had no power on military budget.

A European soldier, cost four & one fourth times more than an Indian soldier while a European officer cost twelve times more than an Indian Officer. The cost of civil administration had risen from 20 crores to 45 crores. The Civil Service thought that under the Reforms they would be in danger. Thus, their position, their pay, their allowances and their pensions should be increased and other interests safeguarded. No wonder, therefore, that this infection spread to subordinates everywhere. If the Government wanted the Assembly to vote and not to Non-Co operate on this vital issue, they must hold out a sacred promise that they would examine the question of retrenchment seriously and in right earnest.

He referred to the currency and exchange muddle, and took strong exception to further multiplication in official strength in the Government of India. The time had come to put the house in order and the Finance Member would be well advised to confine his Finance Bill to one year. The proposals of the Esher Committee should not be given effect to. He warned the Government that if the Assembly agreed to the present budget it was on the distinct understanding that the future budget would not propose such harassing taxation on the poor Indian resources.

Sir Sivaswami Iyer considered it extremely unfortunate that they should in the first year be faced with an adversity Budget. Mr. Hailey admitted his failure to grapple with the exchange



troubles. He said that the Commander-in-Chief would justify the Army budget. He could gather that the Finance Member himself did not approve of the sum for the Army. However, he could see that while the strength of the Army was being reduced below the pre-war level, the upkeep of this strength cost three hundred per cent more than what it cost in 1913-14. Further, while there was a reduction in the combatant strength, there had been an increase of something like seven hundred officers in the Army. The proportion of expenditure on the Army in the United Kingdom was one-fifth of the entire expenditure, while in the Colonies it was something like one twentieth. The carrying out of the Esler Committee's recommendations would mean that the Army figure would go still further.

Mr. O'Donnell challenged the statement of Mr. Rangachariar who had said that the Government spent large sums of money on revision of pay of subordinate establishments in order to justify their acceding to the clamorous demands of the higher branch of the Civil Service. Mr. Rangachariar was mistaken because the increase given to the higher branch of the Civil Service was in pursuance of the recommendations of the Public Services Commission. It was quite true that in some cases the increase had been larger than that recommended, but that was due to the enormous increase in the prices.

Dr. Gour criticised the staggering growth of military expenditure which the poor India could not bear. In face of all attempts of the League of Nations which was trying to bring the millenium of universal peace and Anglo-Japanese Alliance, they failed to understand the necessity for the annual swelling up of the military expenditure. If the Bolsheviks were coming to India, the Commander-in-Chief would attempt to arrange a special meeting of the Legislature for additional expenditure.

Sir Frank Carter characterised the Budget as the rich man's Budget. The only item that affected the poor was the enhancement of postal rates. The Government would, therefore, be well advised if they left out the pice post-card untouched. The increase in the letter postage from half an anna to one anna would not be so adversely felt by the masses. He congratulated Mr. Hailey on his boldness to face the deficit by taxation rather than resort to a floating debt. He expressed his great regret for the inadequate grant to Railways.

Mr. Ishwar Saran appealed to the Commander-in-Chief to revise their military policy and save the poor tax-payer from unbearable burdens.

Mr. N. M. Joshi criticised the taxation proposals like surcharge

duties on fodder, grain, firewood, etc., and said that these would affect the poor class of people.

Raja Shar Nandan Singh said that the Budget had caused great uneasiness in the country and the people felt that if the New Era meant fresh taxation, it should have never come at all. He suggested export duty on food grains to meet the deficit rather than those taxations which affected the masses.

Mr. J. C. Chowdhuri considered the financial statement as a bankruptcy budget, and regretted that Mr. Hailey had not given an idea when the finances would be placed on a solvent basis. He referred, amidst cries of "hear, hear," to the President's ruling, asking members to limit their remarks on a closely typed Budget of 338 pages to fifteen minutes. He referred to the great trade depression due to the disastrous currency policy of the Government during post-war days and to the reckless sale of Reserve Councils. He criticised the old policy of the Government, and viewed with alarm the depletion in currency reserve. He suggested that there should be no increase in postage and railway rates, and that the revenue to be derived from these sources should be met through the floating of a loan. He strongly criticised the enormous increase in civil and military expenditure, and suggested the establishment of a Retrenchment Board.

Mr. R. A. Spence said that the Finance Member would have been wiser, had he been a bolder man and doubled his estimate of exchange loss in the coming year by framing his estimate of sterling outgoings at one shilling four pence in place of one shilling eight pence. After making further remarks on the finance policy of the Govt., Mr. Spence said that the Finance Member had told us that he would not say whether it was he himself or the Secretary of State who dictated the exchange policy of last year. It is a long standing political canon that India can only be governed on the spot. Railways and telegraphs have not done much to lessen the distance between the peoples of India and their Government, but they have brought Delhi into closer intimacy with Whitehall, and I trust the effect of these new Councils, in which every Englishman will desire to act first for the benefit of India, (applause) of which country he is a citizen, will be to bridge over the gulf between the Government and the governed, and arrange the details of the Government on the spot.

Sir Godfrey Fell, in the course of a lucid speech, spoke at length in justification of the military expenditure. He regretted that much of the criticism directed against the Government had been based upon inaccurate information. The first duty of any civilized Government was national defence and any Government

which failed in this duty would be rightly accused of jeopardising the vital interests of its people. The wide range of north-west Frontier inhabited by tribes to whom the rich districts of British India were an irresistible temptation, was a potential and constant danger to the peace and security of India. Then again, there was the need for internal peace and those who doubted it should read the telegrams from Lahore appearing in that morning's papers. But he asked the members to remember the turmoil in the Middle East, the Bolshevik Rule in Russia and the state of war on the Frontier and the internal position of the country. The rise in the cost of the Army had been due to increments in pay all round, for a discontented Army was a serious danger. He maintained that none of the Army people were overpaid to-day. The accommodation for the Army had cost a good deal. The rise in the price of foodstuffs, clothing, ammunitions and other requirements of the Army had greatly enhanced their bills. They had to provide better medical arrangements and mechanical transport. Added to all this, tanks, aeroplanes, armoured cars and other up-to-date weapons had been introduced. All these various factors had contributed to the rise in the Army Budget. He pointed out that the pay of British Officers was fixed by His Majesty's Government and they had to pay what was fixed by the Home Government. He submitted that when good days dawned, they might consider a considerable reduction in the army strength. In the conditions existing now, it would be the height of criminal folly if an adequate provision was not made for the Army.

Mr. Neogy said that he had a shrewd suspicion that Mr. Hailey and his associates were in secret sympathy with the Non-Co-operation movement, for, the present Budget was sure to give a strong stimulus to the movement. They were invited to share with the Government the aftermath of an epoch of administrative prodigality. They had a clear idea about the practical limitations of their budget powers, and it should not be forgotten that only 19 per cent of the total budgeted expenditure charged to revenue had been submitted to vote. They could obstruct the Government, but could not effect a substantial retrenchment. The only alternative before the House was to acquiesce in this extravagance which could not be conscientiously done and to seek to paralyse the Government, which course, though very repugnant to the speaker, would have to be adopted if the Government refused to modify their demands in conformity with their legitimate wishes. It was astonishing that though in the administrative side the Reformed Constitution was only transitional, the financial counterpart of it represented an extremely rigid partition of revenues between the Central and Local Governments. The

responsibility of the central authority for the financial stability of the provinces during the earlier stages at least of the constitutional experiment had not been recognised.

Sir J. Jeejeebhoy criticised the exchange muddle, but approved of the military expenditure. After hearing the Commander-in-Chief and the Army Secretary, he objected to surcharges on firewood, etc. but suggested that luxuries like diamonds, jewellery, etc. be taken instead of those settled by the Government. He believed that there must be something wrong with financial handling in the India Office that had made it difficult to raise a good loan in England.

Mr. Shahu said that the Government in England must be asked to make good the loss which India had suffered on account of their exchange policy. Referring to the Army expenditure the speaker welcomed the suggestion of the formation of an Indian Territorial Army. He disliked the duties on matches which would affect the poor, but welcomed the luxury tax. Most members would agree that the postal rates should not be enhanced.

Mr. A. D. Pickford regretted that the Government did not wait for a better year to impose duty on raw hides and skins, and appealed to the Government to drop the duty on tea and hides out of the accounts. It would be to the credit of the Government of India to remove the excise cotton duty.

Mr. Raghubir Sinha condemned the abnormal growth of military expenditure and maintained that the taxation would add to the present discontent.

Bhai Mansing said that the military expenditure was responsible for the deplorable state revealed in the financial statement. He also criticised the growth of expenditure in the civil department of the Government of India, which was due to the appointments of new officers. He said that the Railway Board was too top-heavy.

Mr. Ginwalla criticised the Budget in as much as it affected Burma. He said that he was absolutely disappointed to find that there was no chance of the extension of Railways between India and Burma. He took objection to the high amount of contributions by Burma from its income-tax resources to the Central Government.

#### Ten Minutes' Time Limit.

At this stage, on the motion of Mr. Kamat, it was decided that the time limit for each speaker should be reduced to ten minutes.

Mr. Zahiruddin Ahmed objected to taxation affecting the masses. He said that as a result of such taxation Bolshevism would crop up in the country.

Mr. Samarth, referring to the speeches of the Commander-in-Chief and Sir Godfrey Fell, said that the Army Secretary missed the

real point at issue. The position was that India would not grudge any single pie on military expenditure if Indians were equally admitted to the military training and equipment of the Army.

Sir Godfrey, interrupting, explained that these matters were in the hands of His Majesty's Government, and the Government of India had to follow His Majesty's orders.

Mr. Samarth, continuing, said that this did not satisfy him. For he knew that King's Commissions would never come and that crores of rupees were still non-votable at least for another ten years. He said that the Budget figures were most complicated and should in the future be presented in the manner of the House of Commons.

Mr. Kamat objected to the form in which the Budget was presented, and while agreeing that in all civilised countries the National defence should be the first care of a Nation, he asked Sir Godfrey Fell to quote a single instance where moral and material progress was sacrificed for the maintenance of a costly army. He considered Mr. Hailey's remarks about the Bombay merchants' refusal to pay the bills as unjust and inopportune.

#### Mr. Hailey's Reply

Replying to the general debate, the Finance Member said that the points raised were so numerous that he would not be accused of discourtesy if he replied only to those which claimed immediate notice. For instance, he would not be able to urge Mr. Neogy's claim that Bengal should have a more favorable settlement or that the Central Government should give the jute export duty or a share of income tax to that province, as this question did not immediately arise in the course of the present Budget. Nor would he reply to the various proposals for amendments of the Finance Bill since they would be discussed on the Finance Bill itself. And, finally, he would not deal with the case of military expenditure, not because he was not prepared to defend that expenditure, but because he considered it best to leave the case for the Army Budget in the hands of the Commander-in-Chief. He informed the House that the Military Budget was discussed and re-discussed in the Executive Council as in the case of every other proposal for fresh expenditure. It was criticised by the Finance Department, but when the decision had been arrived at it was the decision of the Government of India. It was constitutionally correct for every member in charge of the spending department to justify the expenditure proposed for his department, but in this case no able champion of the military case could have been found than in the distinguished personage of Lord Rawlinson.

Coming to the general criticism of the Budget, the Finance Member noticed the criticism of certain members that it was incorrect to state, as done in his opening speech on 1st. March, that the Assembly had a real control over the central expenditure. Different calculations of votable and non-votable expenditure have been made. Taking both capital and revenue expenditure together, the votable amount was Rs. 113 crores against Rs. 105 crores which represented non-votable. It had been stated that this was a year of deficits and that the Budget was not framed on the lines of economy. One member had objected to additional departments. The only department created had been that of Industries. Mr. Hailey asked whether the House was prepared to vote

for its reduction, and claimed that the permanent strength of this department was less than the temporary strength of the Board of Industries and Munitions whose place it was taking. Mr. T. Rangachari had stated that the Government should have been more firm in meeting the demands for increase of pay on the part of its establishment and insinuated that the pay of subordinates would never have been raised, if concessions had not been given to the Imperial Services. The correct figures were that the increase given to the Imperial Services stood at one crore and ten lakhs, and that given to the Provincial Services stood at half a crore, while increments given to Imperial subordinate establishments and Provincial subordinates amounted to four and a half crores and six crores, respectively. He, however, assured the House that Government would do its very best to discuss the question of retrenchment, if possible. He referred to the suggestion for reducing military expenditure by the Indianisation of the service and for the substitution by the territorial force of troops now kept for internal defence, but he reminded the House that his function was to prepare the budget and what he demanded from the house was not visions, but provisions, and asked the members to make up their minds for provisions they would make for the year. He also informed the House that the Government would take expert advice on the question of the improvement of their 3 and 3½ per cent securities. He referred to Sir Jeejeebhoy's remarks relating to the amount of money available for loans in the London Market in the hands of the India Office, and pointed out that it now seldom exceeded four or five million pounds.

Coming to what one characterised as the Exchange muddle, he said what immediately concerned them was the effect of the sale of Reverse Councils on the present Budget. He asked the House to discriminate between measures taken in order to revalue the Paper Currency Reserve and the actual effect on the current year's Budget of any loss incurred in the sale of Reverse Council Bills. Obviously, the Exchange loss of the coming year, about 5·5 crores, had nothing to do with Reverse Council Bills since this merely represented the country's anticipated cost of sending its money to Home in the coming year. On the most accurate calculation, he could point out that the present Budget had been influenced to the extent of 75 lakhs only by the Exchange policy of last year, that being the interest on such portions of notes placed herein to meet the revaluation of the reserve. Many members had passed remarks condemning the Exchange policy for having brought import trade into its present difficulties. He recognised these difficulties. Mr. Manmohandas Ramji has repudiated the suggestion that the Government be called upon to make up the Exchange loss to importers, and said he saw little use in the Government attempting to bring the importing house and buyers together, though he would like to see them call a Conference to settle the matter. As for the charge of commercial immorality to which they took exception, Mr. Hailey said he did not include all Indian merchants, but merely stated that any attempt to refuse Bills would make India's international credit suffer. However, Mr. Price had suggested the remedy in the removal of restrictions on the export of food-grains and the removal of duty on silver. As for the first, Mr. Hailey pointed out that if Mr. Price could persuade the country to remove restrictions on food-grains, he would be only too pleased to see it. As for the second proposal, the Finance Member pointed out that the imports of silver in the last month amounted to Rs. 78 lakhs which could not have affected trade depression considerably as observed by Mr. Price. Mr. Spence had recommended the removal of the export duty on hides and skins and tea. There would be further opportunity for discussing this, but, for the present, this duty represented Rs. 1·5 crores in the Budget, and if this duty were removed, the gap that was required to be

filled would be considerable. Coming to the provision for Railways, he criticised Sir Frank Carter's statement that the Government had never acted by the report of the Mackay Commission, for in the last two years they had made a provision of 17 and 21 millions, respectively, but if the provision for the coming year was to be increased, it would be necessary to raise large sums of loan money, possibly at a high rate, and he desired to point out again to the House the disastrous effect of this on the existing 3 and 8½ per cent Government securities. Sir Frank Carter had asked for the assurance that provision for Railways would not be reduced, but Mr. Hailey pointed out that nothing short of a national calamity would induce the Government to reduce provision already made. Touching the question of loans and capital expenditure, he protested strongly against the suggestion put forward by some member that the present deficit be met by loans. He asked the Assembly to realise that the Government was already prepared to raise as big a loan as it could manage, and if they were to make an attempt to meet the deficit from the loan it could only mean resort to a floating debt, in other words for fresh Treasury Bills. He believed that no careful manager of a household or any industrial company could or would attempt to meet this debt by overdrafts, as it had been suggested that the Government should do. The House would naturally ask what must be the attitude of the Government on Expenditure and taxation. After hearing the criticism, Mr. Hailey said if he had got the sense of the House right, there was little objection to his tariff proposals, except in some minor details, but that there was general criticism of the proposals. Regarding postage and those relating to sur-tax of goods, traffic, as far as it concerned firewood, fuel and fodder he could not tell the Assembly immediately what the attitude of the Government would be in face of these criticisms, for the Government would have to await the results of its demand for grants and the manner in which the House dealt with them. When the Government knew that expenditure has finally been accepted by the House, he would be prepared to make a declaration as to how far they should meet the criticism put forward, and modify in any way the scheme of taxation. Concluding, Mr. Hailey said that on 1st March he stood before the Assembly as the Finance Member only, and to-day he found from references to newspapers that he also stood before them in the capacity of an enemy of mankind. (Laughter). But he was glad to recognise that this was not the spirit in which the House had dealt with him. They had shown a spirit which he was proud to welcome and to acknowledge. Neither he nor Government could now dissociate themselves from the Legislature. He claimed that they dealt with the Assembly honestly and frankly, and had placed before the House their difficulties in a spirit of honesty and an attempt to place the fresh burdens on the shoulders of those who could best bear it.

#### DELHI—8TH MARCH, 1921.

On March 8th the general discussion on the budget was resumed. Dr. Sarbadhikari, who was the first to speak, appealed to the Government to do full justice to Bengal and Bombay, both of which wanted a share of the income-tax, and particularly instanced the Calcutta University which required to be reconstructed on the lines of the Sadler commission recommendations. Even if the Government of India failed to do so, he hoped the Secretary of State would intervene and do justice. He urged that the question of a territorial force be taken in right earnest, especially after the

standard of record which the Calcutta University Corps and the Bengal Light Horse had shown. As regards the additional taxation, Dr. Sarbadhikari urged the Government to let alone post-card and newspaper postage, as also those taxes which affected small industries. In conclusion, he said that the semblance of responsibility given to Indians in the Reforms must be well and judiciously exercised.

Mr. Girdhari Lall Agarwala said that there was no justification for the Government's currency policy, and regretted that no provision had been made for Indians in the Royal Air Force, and in other Units of the Army. He suggested that military training should be given to the Indians.

### The Council of State.

DELHI—8TH MARCH 1921.

#### Release of Martial Law Detenuees.

Sardar Jogindar Singh moved the only resolution appearing on the agenda paper recommending that persons detained in India, without trial, and those imprisoned under sentences passed by Martial Law Courts be released, or failing that, be given the opportunity of proving their innocence in regular courts.

He said that he did not intend to awaken any dying controversy, but wished that the last and final act of justice and mercy should be done to the people wrongly detained in gaol.

He regretted to find that, while all influential men had been released, poor men were still rotting in gaol. After all, what they were put to gaol for was for aspiring for the attainment of Swaraj, which had been now admitted by the Government itself as the gaol of Indian aspirations. Then, again, the Government had admitted its mistakes, and had said that the people were wrongly detained.

The speaker, referring to the Komagata Maru incident, said that these people were given false hopes about their arrival in Canada, and when they came back disappointed, the sad events occurred in Calcutta. Consequently, many innocent people were sent to gaol. He believed that if all these persons were released, it would considerably ease the Panjab situation, and greatly calm down the agitation among the Sikhs. This would also restore the lost faith in English justice.

After Sir William Vincent had replied on behalf of Government that out of 1786 prisoners 1700 had already been released, not as a result of evidence but in obedience to the King's Mandate, the mover withdrew his motion.



DELHI—9TH MARCH 1921

The President then announced the result of his conversation with the President of the Legislative Assembly about the House Committee, and wanted to ascertain the sense of the House whether they would favour the Joint Committee suggested.

Owing to the absence of Mr. Maricair, his resolution on the appointment of a Committee to enquire into the quantity of rice produced, the quantity required for home consumption and that available for export could not be taken up.

#### Separation of Judicial & Executive Functions

Mr. Bhurgri moved : "This Council recommends to the Governor-General-in-Council to make a definite declaration that the time has come for the complete severance of judicial from the executive functions, and that early steps will be taken to accomplish this severance almost immediately."

Mr. Bhurgri said that many high Government officials in the past, including Lieutenant-Governors of Provinces, had expressed their considered opinion in favor of the separation of judicial and executive functions, especially when India had greatly advanced. The public had always suspected the course of justice, where the prosecution itself sat to dispense justice. Unless this loss of confidence in the sense of justice of the country was restored, the administration would suffer for the distrust of the people. The question at issue had been causing great uneasiness for the past forty years, and once this question was debated in the Legislative Council itself, the particular feature of that debate was that all Indians, even those who always saw eye to eye with the Government, voted for the resolution. The agitation to-day was a hundreds times more than before. The Government might argue that the separation of the two functions would involve an extra heavy expenditure in these days of financial difficulties. The speaker emphasised the fact that the country would not grudge a single pie for this great boom, if at all conferred.

Sir William Vincent said that there had been a great controversy for the past many years over the separation of judicial and executive functions, and innumerable statements had been made on this subject, and a great slur had been cast on judges. He related the history of the Government's efforts in this matter since the time of Lord Minto. In all cases, local Governments were consulted, and it was found that the separation of the two functions would bring about great administrative difficulties without bringing in any considerable amount of advantages. It had been alleged that the functions of the prosecutor and the judge were combined

in the same person. It was so. But certain Sections, like 191, were introduced in the Criminal Procedure Code in order to safeguard the accused person from suffering from prejudice at the hands of a judge. He quite realised that certain judges committed mistakes, but such mistakes were existing in all judicial systems of the world. As a result of investigation, it would be seen that many allegations were groundless. He believed that the combination of the two did not generally result in the miscarriage of justice. However, the question of expenditure had to be considered. The administration of justice was now a provincial subject, and the local Governments, in the present circumstances of their revenue, would not favor the idea of spending a good lot on the separation of the two functions, while more urgent works were demanding considerable grants. The Home Member quoted a telegram from the Madras Government, saying that the resolution about the separation of these two functions was discussed and rejected by a majority. This was how one local Government thought of this question. It would not, therefore, be just on the part of this Council to press on the local Governments this reform. The expenditure had to be borne by the local Government, and therefore, they should be left for themselves to see what need they should first attend to. He, however, gave this assurance that if any local Government came to him with the proposal for the separation of the two functions, the Government of India would not stand in the way, and would introduce the necessary legislation to effect the needed reform in any particular province. But the Council should leave the hands of the local administration absolutely free. (Applause.)

Sir Umar Hyat Khan, Sir M. Dadabhoi, Mr. Sastri, Lala Sukhbir Singh and others supported the resolution.

Sir Dinshaw Wacha considered this question as the *Odessey* of Indian Legislation. He and Mr. Gokhale brought this matter before the Welby Commission many years ago. He thought that the question of finance would not be much troubled in bringing about the reform sought for by the resolution which he supported.

Mr. Bhurgri withdrew his resolution by the leave of the Council.

#### Export of Food Grains

Sardar Jogendra Singh moved a resolution providing for the restriction of export of food grains.

The President asked how the resolution differed from a similar one discussed the other day.

Sardar Jogendra Singh said that the former resolution touched

only rice, and the present one dealt with all food grains. He read a lengthy speech with the object of showing how the export of such grains did not hurt the rayat. He estimated that 13 to 14 per cent of food grains was available for export without harm to India. Prices would not be increased, nor could a financial trouble follow the unrestricted export of food grains. Ceylon and Mauritius and other countries suffered from the restriction now in force regarding the export of grains. It was not the economic interest of the country to continue the embargo on the export of food grains.

The resolution was carried.

### The Legislative Assembly

DELHI—9TH. MARCH 1921

#### Voting on Demands for Grants.

The House proceeded with the second stage of the Budget, viz., submission to the vote of the Assembly the demands for grants which were moved by the Members of the Government.

Mr. Innes moved that Rs. 66,95,000 under the head, 'customs' be granted.

Sir Sivaswami Iyer moved the first motion for the omission of Rs. 1,000 for liveries and clothing for superior officers, which was rejected by the House.

Mr. V. Raju moved that the lump provision for the revision of establishment at the Madras Customs House be reduced by Rs. 50,000.

This was carried, but the same Member's request for the reduction of local allowance from Rs. 94,139 to Rs. 69,576 was rejected.

Sir Sivaswami Iyer moved for the omission of Rs. 2,400 for contribution towards the maintenance of Customs Recreation Club, Bombay. The motion was carried, 51 voting for & 39 against it.

Mr. Venkatapathi Raju next moved for the reduction of local allowance to establishments in the Sindh Division from Rs. 62,137 to Rs. 42,639, which was carried.

The same Member wanted a reduction of the local allowance allotted to the Cotton Excise Establishment of the Sindh Division from Rs. 5,039 to Rs. 2,756. This was carried.

Mr. Venkatapathi also moved for the reduction of provision for the Executive subordinates and the Customs Preventive Establishment in Bengal from Rs. 5,25,000 to Rs. 5 lakhs. This was rejected.

His next motion for reduction from Rs. 383,000 to two lakhs under lump provision for revision of the Calcutta Customs Preventive Establishment elicited a lengthy debate. The motion was lost 44 voting for & 46 against it.

Mr. Venkatapathi Raju then moved that the provision of

overtime and holiday allowances and fees for appraiser's establishment in Bengal be reduced from Rs. 3,75,000 to Rs. 3,05,000. But after Mr. Inne's reply, he withdrew it.

The same Member urged for the reduction of the lump provision for the revision of establishment under contingencies in the establishment in Bhamo (Burma) from Rs. 32,18,000 to two lakhs.

Mr. Hailey assured the House that all lump provisions in the Budget would be placed before the Standing Finance Committee, but he wanted the House to give the Government powers to deal with cases of extreme emergency.

Thereupon, Mr. Venkatapathi Raju withdrew the present as well as one of the two other similar motions of which he had given notice.

Mr. Rangachari also withdrew the motion, by which he wanted a reduction of ten lakhs under the head "Customs."

Mr. Inne's original motion for the grant of Rs. 66,95,000 was formally withdrawn, and the motion for grant of Rs. 66,21,000 was accepted, as the result of several reductions having already been agreed to, but, with a provision that, in respect of all sums voted as lump provisions, no expenditure should be incurred, save with the concurrence of the Standing Finance Committee and subject also to the right of the Government to incur emergent expenditure.

#### Taxes on Income.

Mr. Hailey moved the second demand, that is, a grant of Rs. 2,83,000 under the head taxes on income.

Sir Sivaswami Iyer moved for the omission of the provision of Rs. 37,200 for two Deputy Commissioners in Madras. He said that his object was rather to elicit information as to the necessity of such large establishments in Madras as set down in the Budget. Why not Collectors, the greater part of whose work had now been transferred to local authorities, supervise the work of the Income Tax Department?

Mr. Hailey pointed out that it was assesseees themselves who had demanded greater attention in the preparation of income-tax work and the study of laws. In consequence, there was a large increase of work, with a view to accurate and profitable assessment. Mr. Hailey quoted figures of several provinces, including the Punjab, to prove that there was necessity for a high paid export establishment to deal with the work. The work of two Deputy Commissioners was to hear appeals from assesseees, a work which could not be any longer entrusted to Collectors. The conditions in Madras were peculiar, as might be gathered from the resolution of

Mr. Maricair moved the other day, and, therefore, there was necessity for these two officers who were to deal with high expert work of the income-tax assessment.

After hearing the Finance Member, Sir Sivaswamy declined to take responsibility of forcing the motion, which was afterwards withdrawn.

Sir Sivaswami Iyer moved for the omission of Rs. 1,200 provided for the commissions paid to private individuals, which was carried.

Sir Sivaswami Iyer then withdrew several motions, by which he wanted the omission of several lump provisions under this head, and said that after the agreement arrived at this morning that all these lump provisions would be scrutinised by the Standing Finance Committee, he did not want to press them.

Mr. Peari Lal Misra moved that Rs. 1,47,720 provided for Deputy Commissioners and Collectors of income-tax in the Central Provinces, be reduced to about Rs. 96,000 odd. This was rejected.

Mr. T. Rangachari moved that the total demand moved by Mr. Hailey under income-tax be reduced by Rs. 2,03,060. He quoted figures to show that the sum demanded for the coming year was more than three times what it was in 1919-20 at twice what was for the current year. He objected to such an enormous growth of expenditure under this head, and appealed to the House to support his motion.

Mr. J. Chowdhuri claimed for some concession to Bengal, which was most hard pressed on the financial side. Mr. Neogy also supported.

Mr. Mazumdar said that he had come to like Sir Godfrey Fell, in spite of all his prejudices against him, for reasons which he could not tell. Sir Godfrey Fell had told the Assembly, the other day, that the more they paid for the Army, the better it was for India. Now it looked that Mr. Hailey was arguing that the more they paid for the income tax officers, the better it was for India. All that the speaker could say was: "Save me from my friends."

Mr. Hailey briefly replied, justifying the expenditure which, he said, was necessary in order to equalise the work and bring in more money. The motion was rejected.

At this stage, Mr. Hailey reiterated that lump provisions under this head also would be scrutinised by the Standing Finance Committee, and asked the House to withdraw the motions relating to them. This was agreed to, and the demand for income-tax, as amended, was accepted.

## Demand Under Salt

Sir Thomas Holland moved the budget head under Salt, and demanded a grant of Rs. 1,17,95,000.

Mr. Venkatapathi Raju moved that the provision of Rs. 10,87,660 for Assistant Inspectors be reduced by one lakh.

Sir Thomas Holland pointed out that the provision objected to was complicated, and the Government were now going into the details and would place the whole matter before the Standing Finance Committee.

At this assurance the Mover withdrew his motion.

Mr. T. Rangachari moved that the total demand under salt be reduced by 25 lakhs. He pointed out that several items like the local and other allowances were too large to be accepted by the House. He did not wish to press his motion after hearing Sir Thomas Holland.

The total demand for salt was put and carried.

DELHI—10TH. MARCH 1921

## Replies to Interpellations

Replying to Mr. Lathe, the Army Secretary said that the Government had seen the allegations contained in the *Bombay Chronicle* of the 24th ultimo about "the wide-spread and well-known corruption and inefficiency that had come to characterise all branches of the Army Department", but it was not intended to hold any enquiry into these allegations.

Replying to Sir Sivaswamy Iyer, Mr. O'Donnell said that the political section of the Home Department was created in 1917. No Indians were in this section. Secret work was done in other sections of the Home Department, besides political, where Indians were doing secret and confidential work. It was a fact that the files of the political section of the Home Department, when referred to the other Departments of the Government of India or to the office of the Director of Intelligence Bureau, were dealt with by Indian members of these departments without any objection. The question of throwing open the political section to Indian Superintendents and Assistants was purely for the head of the department to decide, with due regard to his responsibility for efficiency.

Replying to Mr. Joshi, the Revenue Secretary said that the initiative in the matter of abolition of forced labour and impressment of carts and other conveyances rested with the local Governments. The Government of India would, however, investigate this question in so far as it concerned the territories having no Legislative Councils.

**Budget Head under Opium**

Mr. Hailey introduced the budget head under "Opium" and demanded a grant of Rs. 1, 50, 73, 000.

Mr. Venkatapathi Raju desired that the provision of Rs. 5, 31, 300 as salaries for Ghazipur staff of sub-deputy agents and assistant agents in the United Provinces be reduced by one lakh.

Mr. Ginwala supported Mr. Venkatapathi Raju, but his motion for reduction was lost.

Mr. Rangachari demanded a total reduction by twenty lakhs. He pointed out several items under this head, in regard to which there was not sufficient indication as to the necessity for an increase of the provision.

Mr. Hailey promised from next year to supply the Members with a memorandum showing the reason for increase in these allotments. If they had not done so this year, it was because the Government were novices equally with this Assembly in regard to these requirements. He then explained the necessity for allotment, and said that the Government were under obligation to supply opium to other countries, and there would be a breach of contract if these provisions were not granted.

Mr. Rangachari, thereupon, withdrew his motion. Mr. Hailey's demand under head "Opium" was then granted.

**Land Revenue**

Mr. Hullah, Revenue Secretary, moved for a grant of Rs. 967,000 for land revenue.

Mr. Seshagiri Iyer moved that the provision of Rs. 1,02,750 for Coorg be reduced by Rs. 50,000. He said that he could not understand why the revenue administration of Coorg be kept in the hands of the Central Government, instead of being shifted to the Madras Government, which would carry the administration much cheaper than at present.

Sir Sivaswamy Iyer objected to dragging the large question of annexation of Coorg to Madras in a budget discussion. The question required a separate and thorough handling before final decision.

Sir William Vincent said that the people of Coorg, as a whole, preferred to remain a separate entity under the Government of India. If it was later found advisable in the interest of Coorg, and in accordance with the wishes of its people to annex to the Madras Presidency, or effect any other reforms, the Government of India would be prepared to consider it. Mr. Seshagiri had really brought a large question under the guise of demand on grants.

Mr. Seshagiri Iyer, replying, felt surprised as to why Sir Sivaswamy was so stiff-necked in his opposition to the proposal,

especially when he had been a Member of the Madras Executive Council. The speaker had brought forward his motion only to elicit information and to draw the attention of the Government for more efficient working of the administration in Coorg.

The motion was by leave withdrawn, and the original Government motion for grant of Rs. 9,67,000 was carried.

Mr. Innes' demand for Rs. 1,29,000 under Excise was granted without any opposition and reduction. Similarly, Mr. Hailey's demand for Rs. 4,24,000 under Stamps was sanctioned.

#### Forests

Mr. Hullah wanted Rs. 25,70,000 under the head "Forests," Mr. Venkatapathi Raju urged reduction by one lakh of the provision of Rs. 1,57,940 for Extra Assistant Conservators and other supervisors. He referred to the growth of the figure under Salaries from Rs. 53,220 in 1920-21 to Rs. 1,57,940 during the coming year, and saw no justification for this sudden increase of more than twice the amount, which only affected the poor tax-payer. He found no hopes of inducing the Government to cut down the expenditure, when items like this grew in one year to twice its size.

The motion for the reduction was put to vote and carried by a large majority.

Mr. Rangachari moved that the demand under 'Forest' be reduced by three lakhs. He disclaimed any intention for standing in the way of the most needed developments in forests, but he found that there was nothing shown to indicate that increased provision would be utilised for the industrial and commercial development of India.

Mr. Sarma said that the Imperial Forest Service was votable, while the salaries of the Provincial Service were not. It was now under consideration whether the Imperial Forest Service should be recruited in India or in England. Then again, the Research Institutes and Forest College in Dehra Dun were to be improved to afford higher and up-to-date education in Forestry, and expert staff was now being engaged. He assured the House that only a minimum provision for Forests had been demanded.

The motion was thereupon withdrawn, and the reduced sum under the head "Forest" amounting to Rs. 24,70,000 was carried.

#### Registration

The demand of Rs. 2,500 for Registration was carried without discussion.

#### Railways

Col. Waghorn introduced the head under 'Railways,' and demanded grant of Rs. 61,68,61,000. Mr. Venkatapathi Raju, who



urged the reduction of working expenses from Rs. 58,21,72,000 by five crores, pointed out that Railways were purely worked as a commercial concern, and the House must deal with it on business-like principles. In countries like Canada, the working expenses on Railways came to about fifty per cent and he, therefore, did not understand how it could come to 66 per cent here in this country. Col. Waghorn referred to the increase in the cost of fuel and of renewals of the rolling stock, permanent ways, etc., which were kept in abeyance during the War, besides extra remuneration to employees. Otherwise there was no increase over the present year's figure.

Mr. Anna Bapsjee Katha also moved for the reduction of four crores under the head "Railways : working expenses." He said that while he was in full sympathy with the proposal of spending more money on renewals of the rolling stock and permanent ways, he should ask the House to remember that considering the rate of progress on these renewals during the current year, the Assembly should not vote for the huge sum under this head.

Sir George Barnes, replying, pointed out that the increase of 61 lakhs was due to increase in the price of coal, and some other increases on account of the increase in the wages to employees. The plain fact was that owing to the scarcity of getting material during the war the Government could not renew the wear and tear. Now that the War was over, they had to renew the whole machinery which would cost enormously.

Mr. Pickford supported every word of Sir George Barnes, and referred to the damaged condition of rolling stock, making passenger traffic unsafe. He appealed most earnestly to the members against any policy of retrenchment which would only injure the best interest of the country.

Mr. Price mentioned instances in the past when the Railways were closed for lack of rolling stock. He said that it would be a disaster to the Panjab and Sindh if the N. W. Railway traffic was not improved.

Mr. H. Vishandas endorsed Mr. Price's remark, and said that there should be no reduction in the interests of the country at large. Mr. Hussain Ali said that the question was not of providing money, but whether the money provided would be utilised for the affixed purpose. If the Railway Board could assure that they would be able to get rolling stock from England this year, he would support the total amount for working expenses.

Mr. Rangachari had no objection to the working expenses being granted if it was for the renewal of rolling stock and permanent ways. He asked why the Government should not get these stock

from France and other countries, where their price was stated to be cheaper ?

Mr. B. S. Kamath objected to improving the pay of the staff to the detriment of rolling stocks, and particularly, instanced the case of the G. I. P. Railway in respect of which there was an increase from seventy six to ninety lakhs on the salary of General Superintendents, whereas increase in its expenditure on the rolling stock was comparatively very small. He took strong exception to this feature of the railway administration, and asked why Superintendents and other officers should be brought from other countries, and paid very high salaries, thereby finding it difficult to improve the rolling stock.

Colonel Gidney objected to the motion for the reduction, and took strong exception to the question of racial distinction brought in by Mr. Kamath. He said that the test was of fitness for service. If Indians went in large numbers to England and trained themselves in particular lines, they were equally eligible to fill the engineering and other technical posts. He drew the attention of the great agitation now prevailing among the railway staff, and any reduction in their salaries would mean disaster to the country. He emphasised that there was no question of race in filling the engineering posts.

Dr. Gour said that the whole question was that there was always a distinction in the salaries of Europeans, Anglo-Indians and Indians doing the same work. If the railways were to be worked on economic lines, the posts should be open to men of merit without distinction of particular community. The Europeans and Anglo-Indians should be paid the same as Indians. Otherwise the railways would be very expensive. The principle dominating the administration should be fair-play and no favour.

Dr. Nand Lal pressed for a larger introduction of the Indian element in the working of railways.

Mr. Venkatapathi Raju said that he did not stand in the way of any useful expenditure, but merely objected to increasing several unnecessary items, which could easily be brought down. He wanted an explanation as to why the working expenses were increasing abnormally, especially when they were thinking of raising special loans. Unless the Government would promise to scrutinise the necessity for such abnormal increase, he must press his motion.

Mr. Jadunath Mazumdar supported the motion for the reduction, while Mr. Ginwalla opposed it.

Col. Wagborn, replying to the debate, assured the House that this year the Government hoped to carry out renewals more than last year, and wanted them to believe that every possible effort would be made to improve the rolling stock, permanent way, etc.

Mr. Lathe urged that four crores should be deducted from the working expenses under railway demand. He urged the same arguments as were urged by many non-officials on Mr. V. Raju's motion, and pointed to the huge deficit they were working under.

Col. Waghorn and Sir George Barnes asked the House not to vote for the reduction, as it would defer many urgent and important works contemplated, and appealed to Mr. Lathe to withdraw the motion.

The motion was, however, pressed and lost.

Sir Sivaswami Iyer moved for the reduction of the cost of the Railway Board by Rs. 8,30,000. He narrated the disgraceful condition of the South Indian Railway, especially in the far south, and expressed the feelings of the people that the rates were so manipulated that they encouraged more external trade than internal trade. He had seldom heard anyone saying a good word about the Railway Board, which, as a whole, had not done anything to advance railway construction. In the Madras Presidency, the interests of Railway construction would have been safer without the Railway Board. Mr. Tomkins, Joint Secretary of the Railway Board, in his evidence before the Railway Committee, had shown how far the Railway Board had not been able to serve the purpose of remedying the complaints against the callousness of the Company. Sir Sivaswami Iyer observed that the Railway Board had been a source of obstacle and an engine of delay for useful programmes, and he would therefore wish it to be replaced by some suitable substitute.

Sir Sivaswami withdrew the motion, and the grant under the railway head amounting to Rs. 61,68,61,000 was carried.

The demand was accepted.

#### *Irrigation*

Sir Sydney Crookshank introduced the head under "Irrigation and Water-Ways," for which he demanded Rs. 2,69,000.

#### *Posts and Telegraphs.*

Mr. Innes moved that the grant of Rs. 10,78,02,000 be made for Posts and Telegraphs.

Mr. Venkatapathi Raju moved that the provision of working expenses amounting to Rs. 8,30,82,000 be reduced by one crore. He drew attention to the pre-war figures for the same head, and said that the figure for the next year stood 200 per cent higher than five years ago. Every year the working expenses were going up by leaps and bounds, and the time had come for reduction.

Mr. Innes said that the motion for reduction would do enormous harm. The expenditure on Posts and Telegraphs was grow-

ing, because expansions of these services were undertaken every year, and also because, as it was well-known, there had been large increases owing to economic conditions, and Mr. Venkatapathi Raju could check these economic conditions with the same result as King Canute did on the exercise of his will over the waves of the sea. The speaker cited the example of the House of Commons, where reduction was never resorted to, unless it meant a vote of censure on the Minister in charge. The expenses under the head, he said, were essential for the efficient working of the department.

The motion for reduction was put and lost.

Mr. Joshi moved for reduction on Rs. 1,200,000 demand for Posts and Telegraphs. He said that retrenchment could be effected by stopping the creation of new posts and by postponing a certain number of new buildings. He said that the expenditure on new buildings should be reduced to ten lakhs.

Mr. Joshi's motion was put to vote, and declared carried. When a division was demanded, the result was that 47 voted for and 42 against.

Mr. Samarth moved that in the demand for Posts and Telegraphs, the amount of Rs. 10,78,02,000 be reduced by Rs. 11,002,000. He said that a reduction should be made in the amount entered in the columns for capital outlay. He pointed out the wrong entry of capital outlay on Posts and Telegraphs in the statement of expenditure charged to the revenue of the Central Government in India. Mr. Hailey accepted the proposal to the extent of one crore of rupees. The reduced demand for Posts and Telegraphs, amounting to 77,80,02,000 was accepted.

#### DELHI—11TH, MARCH 1921

The Assembly met again on the 11th. and the discussion on grant was continued.

The demand under the head, "Interest on Miscellaneous Obligations" amounting to Rs. 2,30,77,000, was granted without discussion.

#### General Administration

Mr. O'Donnell introduced the Budget head under the "General Administration", and demanded a grant of Rs. 65,03,000.

Mr. Venkatapathi Raju, in moving that a provision of Rs. 60,000 under the head of "Executive Council" be omitted, drew attention to the fact that the place of Sir George Barnes, who was about to retire, should not be filled and the number of Executive Councillors should be six and not seven.

Sir William Vincent, replying, stated that at present there was no intention of giving the place of Sir George Barnes to a

new Member. The provision that was sought to be omitted referred to travelling allowances to Executive Councillors. There were a lot of complaints from several parts of the country, which required to be attended to by tours. Further, the members themselves often felt the need of getting into touch with commercial centres, and so it was not advisable to cut out this sum. They should not do that, unless the House wished to curtail the touring of the Executive Councillors.

The motion was rejected.

#### Inspector of Office Procedure

Mr. Mazumdar moved that the item "Inspector of Office Procedure" carrying a salary of Rs. 27,450 be omitted. He could not believe that the Home Member or any other Secretary could say that they had in their old age forgotten the Office procedure. He said that the salary of this Special Officer was put as non-votable, but he could not understand how.....

Mr. Hailey interrupted and said that he was sorry that there was a misprint. The salary was votable.

Mr. Mazumdar said that he was surprised that this misprint should have escaped the notice of the Inspector of Office Procedure himself. (Laughter.)

There was a good deal of heckling over this matter and eventually the motion was lost.

#### Publicity Section

Mr. Bhai Man Singh next moved that the provision of Rs. 18,000 for the salary of two officers on special duty in the Home Department be omitted. He said that he was under the impression that this special branch was doing some secret service, and he did not want the Government to have any officers on such high salaries for this purpose.

After Sir William Vincent had replied showing the importance of publicity work on behalf of Government Mr. Bhai Man Singh asked for permission to withdraw his motion, as he was not previously aware of all the facts that were given out in the course of the debate. But his personal belief and personal experience was that more of falsehood and less of truth was being spread by the Punjab Publicity Bureau, which, in effect, were calculated to do more harm than good.

#### American Lecturer to India

Mr. Kamat moved that the provision of Rs. 25,000 for charges in connection with the visit of an American Lecturer to India be omitted.

Sir William Vincent emphasised the ignorance that prevailed in the United States about Indian affairs, and quoted instances of gross misrepresentations spread there by the Indian revolutionary, otherwise called the Ghadr party, about Indian state of affairs. The Government intended to call an American lecturer of very high repute who could attract audience by thousands to come to India, and after studying its position to go back to America and supply most accurate information. The step was taken in order that America might be able to appreciate at what stage the people of India had reached in the political, social and educational spheres.

The motion for the reduction was put and carried by a majority.

#### Administration of Justice

Mr. O'Donnell moved that the grant of Rs. 4,47,000 under Administration of Justice be granted.

Mr. Norton moved for the reduction of Rs. 10,000 from Civil and Sessions Court, and Rs. 10,000 from Criminal Courts. He said that his object was to secure a reduction of Rs. 20,000 in order to enable the Government to provide the Assembly with an adequate library, so as to enable the members to come prepared after reference to books. In order to secure retrenchment for this purpose, he wanted to attack the "Ecclesiastical head", but finding that it was not votable he wanted to cut down the Viceroy's household. But, as he did not like to inconvenience the new Viceroy, he had, however, regretfully to resort to "Administration of Justice". He wished that the Government would show charity, latitude and benevolence in this matter of providing a library at Delhi.

The President said that Mr. Norton had not, from the first to the last word, touched the administration of justice, and the reason why the speaker was not stopped was that he was touching a subject of great importance to the House. However, he would not allow the same amount of latitude to other speakers, except the Government Member, who, if he liked, could touch the question of the provision of a library.

Sir William Vincent assured that he would approach the Finance Member to provide money for a library at Delhi, but he did not see the reason why the administration of justice be made to suffer for it.

After this assurance, Mr. Norton withdrew his motion. The original motion for the grant under the "Administration of Justice" was thereupon carried,

#### Goals and Convicts' Settlements

Mr. O'Donnell introduced the head under "Goals and Convicts Settlements", and wanted sanction for Rs. 31,26,000,

Mr. Rangachari moved for a reduction by Rs. 21,300, and pointed out the growth of increase of expenditure in respect of the rates paid to steamers which carried convicts to the Andamans.

After Sir W. Vincent had explained the Govt. position the motion was withdrawn, and the total demand granted.

#### Police

Mr. O'Donnell moved for the grant of Rs. 2,92,100 for the police. The motion was carried.

#### Ports and Pilotage

Mr. Innes moved for grant of Rs. 11,68,000 under "Ports and Pilotage" which was agreed to.

#### Survey and Meteorology

The demand for the Survey of India amounting to Rs. 2,83,000 was also carried.

The Revenue Secretary then demanded Rs. 4,57,000 for meteorology.

#### Geological Survey, etc

Demands for the geological survey amounting to Rs. 164,000 and for the botanical survey amounting to Rs. 1,37,000 were also granted.

Mr. Sharp moved for the grant of Rs. 1,11,000 for the zoological Survey, which was agreed to after some discussion.

#### Archaeology

Mr. Sharp moved for the grant of Rs. 14,55,000 for Archaeology.

Sir Thomas Holland moved for Rs. 1,60,00,000 (?) under "mines", which were granted.

#### Science and Education

Mr. Sharp demanded Rs. 3,54,000 for other scientific departments and Rs. 18,49,000 for education. Both were granted without discussion.

#### Medical Services

Mr. O'Donnell moved for the demand of Rs. 16,24,000 for Medical Services.

Mr. Rangachari, in urging a reduction of the demand for medical purposes of Rs. 16,24,000 by six lakhs, appealed to the Government to give effect to the popular wishes in regard to the encouragement of Ayurvedic and Unani systems of medicine.

Sir William Vincent, on behalf of the Government, referred to the promise he gave last year to Mr. Haroon Jaffer in regard to the encouragement of the Unani and Tibbi College in Delhi if the

authorities of that institution would approach the Government with a properly considered scheme. But, for some reason or other, Hakim Ajmal Khan, who was the head of that institution, refused to come for a grant. The speaker had no doubt that Non-Co-operation was responsible for that (laughter), and the institution was conducted on principles opposed to a "Satanic" Government. (Laughter)

On this assurance, Mr. Rangachari withdrew his motion, and the total demand asked for was granted, which was accepted.

Mr. Sharp moved for the grant of Rs. 11,30,000 for public health.

DELHI—14TH MARCH 1921.

#### Agriculture.

Mr. Hullah, Revenue Secretary, demanded Rs. 7,50,000 under agriculture.

Rai Sahab Lakshmi Narayan Lal moved for the omission of a lump provision of Rs. 18,820 for the Gazetted staff, Pusa.

The motion for reduction was put and lost.

Mr. Shahani moved for reduction in the provision for agricultural and veterinary periodicals. He said that his intention really was to draw the attention of the Government to the necessity of increasing grant under this head.

Mr. Hailey assured that the Government would try to meet the wishes of the mover for an increase under this head.

The motion was withdrawn.

Mr. Shahani also moved for the omission of Rs. 15,000 provided as grant to the Indian Tea Association. He pointed out that there were other industries like cotton, which required to be encouraged more than tea.

Mr. Hullah emphasised the fact that this was the opportune moment for a grant, and that any renewal of it would be placed before the Finance Committee.

The motion for omission was negatived and the total demand was accepted.

Mr. Hullah next demanded Rs. 5,87,000 under "Civil Veterinary Services."

Mr. Badge pressed for reduction of Rs. 11,290 provided for a Veterinary Deputy Superintendent by Rs. 8,000.

Mr. Hullah accepted the reduction to the extent of Rs. 7,650.

#### Industries.

Sir Thomas Holland next moved for a grant of Rs. 6,43,000 under the head "Industries."

Mr. Shahani asked for the omission of Rs. 10,000 provided as the salary of the Manager of the Acetone factory at Nasik.



The motion for reduction was put and lost.

Mr. Lakshmi Narayan Lal moved for the omission of Rs. 53,750, provided for the revision of the Nasik Acetone Factory.

Sir Thomas Holland briefly replied, pointing out that even this sum was not sufficient for the purpose.

The motion was lost.

Sardar Gulab Singh moved for the reduction of the total demand by Rs. 1,73,000, and suggested that the same expenditures under consideration like those of Acetone factory might be put off till next year, and only those of extreme urgency taken up.

The motion was put and lost.

#### Aviation.

Mr. Innes demanded Rs. 55,000 for aviation.

Mr. Lakshmi Narayan moved for the omission of Rs. 30,000 provided for an aerodrome at Allahabad which was negatived.

#### Other Grants.

Mr. Innes moved for the grant of Rs. 25,800 (?) for commercial intelligence.

Mr. Sharp's demand, under the head "Census," for Rs. 2,465,000 was accepted without any discussion.

Mr. Innes next moved for the grant of Rs. 1,53,000 under the head "Emigration".

Mr. Innes' demand for Rs. 1,79,000 under the head "Registrar of Joint Stock Companies" was accepted without discussion.

Mr. Hailey moved for grant of Rs. 12,12,000 under miscellaneous departments.

#### Imperial Library.

Dr. Gour moved that the provision of Rs. 72,000 for charges in connection with the Imperial Library be omitted. He objected to the library being located in Calcutta when the Imperial Capital had been removed to Delhi. If this library was being taken advantage of by Bengal, its cost should be borne by the local Government. After a good deal of discussion in which much jealousy was shown by some members for the location of the Library at Calcutta, the motion for reduction was put to vote and lost.

#### Currency.

On the motion of Mr. Hailey the grant of Rs. 31,30,000 under "Currency" was carried without discussion.

#### Civil Works.

Sir Sydney Crookshank moved for grant of Rs. 1,19,50,000 under Civil Works, including expenditure in England.

**Viceregal Estate.**

Dr. Gour moved for the reduction of Rs. 5,00,000 for the Viceregal estate. He said that he failed to see the necessity of providing such huge sums for the Viceregal estate, which, after all, was a temporary house, which had, in future, to be shifted permanently to Raisina in New Delhi. An important question to be decided was whether the Government would go on spending large sums of money over temporary buildings.

The amendment was put and lost.

**Motor-bus Service**

Dr. Gour moved that the provision of Rs. 26,50,00 for motor-bus service for conveyance of the Government of India establishment be omitted. The motion for reduction was put and negatived.

**Extension of Longwood Hotel**

Dr. Gour moved for the omission of Rs. 84,000 intended for the extension of the Longwood Hotel in Simla, which, it was stated, was to provide accommodation for members of this Assembly during the Legislative Sessions there. Dr. Gour objected to this expenditure, so long as the real question, whether or not any legislative business was to be transacted in Simla during the autumn, was not settled. He pressed that this expenditure should be deferred until they decide that question.

Mr. Hailey wanted that this motion should be deferred till Mr. Seshagiri Iyer's motion regarding the exodus to Simla was decided. The House agreed to this arrangement.

**Simla Exodus**

Mr. Seshagiri Iyer then moved that the provision of Rs. 5,64,500 for building a Council Chamber for the Legislative Assembly in Simla be omitted. He said that the opinion outside this House was unanimous that there should be no legislation from hill tops. (Cries of No, No) The Madras Government had, in deference to the persistent voice of the Presidency, decided that there should be no legislation from its summer Presidency at Ootacamund, and that the Government had agreed to move down to the plains whenever there was any legislation. The speaker thought that this Assembly should convey their heartiest thanks to Lord Willingdon for the exceedingly good example he had set in this question. This Assembly must imitate the example of that benighted Province and later on resolve that there should be no legislation in Simla. The Government had told him that the cost of the temporary Council Chamber was Rs. 3,85,000 and that of the residential accommodation of Members was Rs. 6,32,000. Thus, a sum of nearly ten lakhs had already been spent, and when the Council

Chamber had been completely built it would have cost Rs. 20 lakhs. For a very long time, it was tacitly understood that there should be no contentious legislation from the summer residence, but those were the days when there were no representatives of the people in the Government. But, after that, when the Councils came into existence, there was persistent agitation against legislation from the summer residence. This was not heeded to, and the result is known to all. One Parliamentary Committee in England had condemned that the army headquarters should have been in Simla. If that could be so in regard to Executive Council being in Simla, there was greater reason why legislative members should not be asked to go up to Simla. Mr. Seshagiri Iyer suggested that legislative business might be held in Delhi throughout the five cold months with a short recess, and if there was any urgent legislation to be transacted during the autumn, then the Government should come down to Delhi for a few days for the purpose. We are not made of ice, concluded the speaker, and we can share the sufferings of the people living here for a few days. All shades of opinion in India, whether European or Anglo-Indian, or Moderate or Nationalist, are unanimous that there should be no legislation from hill-tops, and by your vote this afternoon you will tell the people whether you are truly representing them in this Assembly or not.

Sir William Vincent said that the Government's position was absolutely neutral, and the question at issue was purely a matter of choice by the Assembly. His personal opinion was that the Members would find it extremely inconvenient to work here in summer, and he would suggest that, before finally deciding the issue, the House should serve here for one summer season and then see whether they would stick to Delhi for all seasons. His personal opinion was that the Assembly should wait for another six or seven years till permanent Chambers were built here. It would be impossible at present for the Government to sit here for 12 months for lack of accommodation, but if the Assembly decided in favour of Delhi only, the camp offices should be brought down to Delhi. He informed the House that the Legislative Chamber in Simla was already nearing completion, and that the building now could not be dismantled. Communications in Simla were now quite up to date and accommodation was abundant. The late Chief Commissioner of Delhi, Mr. Hailey, could tell the House of his experience of Delhi heat. Perhaps, he took bags of ice with him. (Laughter.) He asked the Members whether they would like to motor down to the Council Chamber from Raisina which was at a distance of seven miles. However, the House should decide what was the most advantageous for the conduct of public business.

Dr. Nandlal, opposing the motion, said that the session in Simla would mean more out-put of work and less inconvenience. He said that the Members would die with heavy work under the scorching heat of Delhi sun. As for the remoteness of Simla, he said that newspapers could inform of the public feelings to the same extent.

Mr. Sarma said that it would take several years before Delhi could be made to suit the needs of the Government. Moreover, the Government had already spent four lakhs on the Simla Council Chamber, and it would be wasteful expenditure to suddenly stop this building. As for expensiveness, he said that there would be no saving in keeping Delhi for the summer session. From his personal experience he could say that he felt much fitter to work in Simla, and it would be truly democratic to walk in the nice climate of Simla hills. Coming to the question of public opinion, Mr. Sarma said that there was really no difference between Delhi and Simla, as both were not intellectual centres, and the Members could not possibly expect any very great help from public opinion in these two places. Both these capitals were in one corner of India. He, therefore, said that on the grounds of economy, finance, convenience and public opinion there was not much to prefer Delhi to Simla.

Dr. Sapru said that the Government Executive Members could not vote on this resolution. As they wanted to remain neutral, the Government would examine the results of the debate carefully and put it before the new Viceroy.

Mr. Ujagar Singh Bedi strongly opposed the motion, and, among other things, he said that the efficiency of Government work would suffer if they adopted the resolution.

Mr. Rangachariar, who had himself often gone to Ootacamund during his High Court vacation, said that he spoke there not as Mr. Rangachari, but as a representative of millions of people in his Presidency. (Hear, hear.) He asked: Did not their fathers and forefathers do their work in the plains? Did the Kings of old go to Simla or Darjeeling or Ootacamund to transact their work. He knew that the bureaucracy would persist in going to the heights of Simla to administer the country, but he never knew that there would be brown bureaucrats also. He was rather surprised that his hon. leader, Mr. Sarma, at whose feet he learnt his lessons, who, as President of the Madras Mahajana Sabha, had drafted telegram after telegram in vilifying the wicked bureaucratic Government for going up to summer residences, had now stood up to defend the climb to Simla. Eminent persons, like Raja Sir Madhava Rao and Dr. Miller, had entered their most emphatic protest against this

sort of migration. Mr. Sarma said that the new Viceroy was coming, and he would decide the question. But the speaker said that the Viceroy being new, he would like to know the views of this Assembly. He, therefore, said "do work for the people, do their work, feeling as they do." The responsibility for our decision rests with us—Indians. I look for a day when our people, the masses, will also send their representatives here. How do you expect them to afford to go on to legislate in the cool heights of Simla? Surely, that is a tall order. I am surprised that the people of the Panjab are rising to oppose the motion. Would they have liked to be in the heights of Simla when the Panjab disturbances took place? Would you have been in a position to read newspapers to know what was happening in Amritsar and other places? Is that the conception of our duty here as legislators? If you had been in the cool heights, when these happenings took place, would you have been able to influence the Government? Even in the plains you were not able to do anything. You would have been in a much worse position if you had been in Simla. As deliberative and responsible people assembled here, are we really voicing the feelings of the people when we say: "We shall go to Simla and legislate." Let us not write ourselves down as insincere patriots saying "one thing one day and another thing other day." Delhi has been chosen as the capital. Let us push on the work in Delhi and make Delhi more habitable, but let us not be drawn away by side-issues and side-tracks.

Mr. Norton could not for a moment accept that the Government could do better work on the hills than in the plains. The Government must do their work in the plains whether it was good, bad or indifferent. No doubt the climate in Simla was more pleasant. But, as a matter of fact, they could do work here, as they could do on the hills. Mr. Sarma must not have said one thing as non-official and contradicted himself now because he was an official. That sort of attitude ought to be deprecated. The members should approach this question, realising that they were representing the people's feelings, and as for himself he would not vote, but abide by the majority verdict.

Mr. S. Sinha reminded the House of the legal position of the question. If they voted against the grant, the construction of the Chamber would be stopped. But still the Viceroy would have power to convene the session at Simla. This issue should be decided by a resolution of public importance. The House should allow the building to be completed.

Sir Sydney Crookshank said that the position was that the Government had certain amount of accommodation at Delhi and

certain amount at Simla, but neither was sufficient to accommodate the Government of India for the whole year. Five or six years hence, permanent buildings would spring up in Delhi, and then the Assembly could decide the question. He informed the Assembly that the Metcalfe House, where the Council of State Chamber was located, had been found to be inadequate to meet the demands of the Upper Chamber, and it would be reconstructed this summer. He requested the House, therefore, to at least hold their session in Simla for one year. As for the Chamber at Simla, it was built in such a way that it could be turned into residential quarters for the Government officials, for whom houses were now being taken on rent. So there would be no waste of money, even if, at a later date, the Assembly decided in favour of Delhi.

Mr. E. Norton asked whether the vote of the Assembly would mean vote on the Simla exodus or vote on a particular grant.

Sir William Vincent replied it would be considered as a vote on Simla exodus.

The President informed that certain previous discussions had been deferred to discuss this general question.

Mr. Vishindas said that it would be unfair to the Assembly to throw away four lakhs of rupees.

The President suggested to Mr. Seshagiri Iyer to reduce his motion for reduction from over 5 lakhs to a hundred rupees, so as to allow discussion on the general policy. Mr. Seshagiri Iyer agreed.

Mr. Vishindas favoured the Simla sessions as most advantageous to the country and to the tax-payer.

Mr. Mazumdar said he would have better liked an open discussion on the exodus than this indirect and subtle method of dealing with it.

At this stage Mr. Sinha applied for closure, which was agreed to.

Mr. Seshagiri Iyer's motion, as formally amended, was then put to vote and declared lost.

#### Mint & Exchange

Mr. Hailey introduced the head under "Mint" and demanded a grant of Rs. 21,45,000, and a grant of Rs. 3,28,54,000 under the head "Exchange", which were accepted. On the motion of Mr. Hailey, a grant of Rs. 2,57,000 under "Superannuation Allowances and Pensions" was agreed to.

#### Stationery and Printing

Sir Thomas Holland introduced the head under "Stationery and Printing" and demanded a grant of Rs. 1,49,12,200.

Sir Frank Carter urged for a reduction of this figure by Rs. 10,00,000. He referred to the waste of stationery in Government Offices, and desired that the Finance Committee should scrutinise

the various details of this expenditure. The Inspector of Office Procedure should help the Government in this direction. In conclusion, he suggested certain methods of effecting economy in stationery as was being done in Europe and America, and that the Government should buy their stationery as far as possible in India.

Sir Thomas Holland explained that nine-tenths of the paper, which was the most important of all stationaries, were being bought in this country. He welcomed this motion in so far as it would bring home to the officials the necessity of effecting economy in the use of stationery, but the difficulty was that the manufacturers in India demanded more than those abroad. In order to make Indian manufacturers realise the necessity of facing the competition of the world, the Government intended to bring certain special qualities of paper from abroad. The Government also proposed to employ at the headquarters of the Government of India (Delhi and Simla) stationery depots.

After several speakers had strongly supported the mover, Sir Frank Carter withdrew his motion in view of Sir Thomas Holland's assurance to effect economy. Leave to withdraw the motion was not given by many members, and the motion for reduction by ten lakhs was eventually carried by a majority.

#### Miscellaneous

Mr. Hailey demanded a grant of Rs. 50,23,000 under the head "Miscellaneous."

Mr. Lathe moved that the reserve of Rs. 10 lakhs at the disposal of the Finance Department be reduced. He said that from the experience of past years, it was sufficiently known that these reserves were never used, or at least to the extent provided for. This huge amount for unforeseen expenditure was not justified as the budget had been prepared with the utmost caution. However, if need arose for any charges, the Finance Member could come for a supplementary grant.

Mr. Hailey said that it was not good policy to come to the House for supplementary grants on all occasions. He believed that the reserve was not at all large.

Mr. Lathe agreed to reduce his figure to five lakhs, and his amended motion was carried.

Mr. Hailey demanded a grant of Rs. 62,84,000 under the head "Adjustments." This was agreed to.

#### N. W. F. Provinces

Dr. Sapru wanted a grant of Rs. 1,43,54,000 to meet charges in respect of the administration of the North-West Frontier Province.

Mr. Iswar Saran, while moving that the provision of Rs. 3,20,000 for general administration be reduced by Rs. 20,000, said that his object was to draw the attention of the House to the unsatisfactory condition of the administration in the North-West Frontier Provinces. Dr. Nand Lal had already referred to this kind of administration by his resolution for a Committee on the Frontier raids. The facts stated by Dr. Nand Lal had not been challenged by Dr. Sapru at that time.

Dr. Sapru rose to a point of order. He said that the hon. friend is not quite correct when he says that the facts were not challenged.

Mr. Iswar Saran replied that he might be wrong, but it was his opinion. He referred to the article that had appeared in the *Tribune* of Lahore, on the general administration of the North-West Frontier Provinces. Here, in the Government of India, the Indians were excluded from foreign and political department, and in the North-West Frontier Provinces there was practical exclusion of Indians from every branch of administration. There was no Indian either as Judge, Commissioner, Collector, Magistrate, Deputy Superintendent of Police or even as Assistant Superintendent of Police. This sort of administration had caused a great deal of dissatisfaction. Mr. Montagu had, in his Declaration of August, 1917, referred to the "increasing association of Indians in every branch of administration", but this declaration had not in the least been carried into effect in the N. W. F. Provinces.

Dr. Nand Lal emphasised the fact that the separation of the Frontier Provinces had been a failure, and urged re-annexation on both political and economical grounds.

Sir Sivaswami Aiyar asked the Government as to what led them to separate the Frontier Provinces from the Panjab. If this special machinery was introduced to secure better administration of the Frontier, he was afraid that it had not succeeded in bringing immunity from the trans-Frontier raids.

Dr. Sapru, on behalf of Government, referred to the previous discussion on the matter and agreed to a round table conference. Ch. Sahabuddin, Mr. S. Hussain Khan and S. Gujjan Singh asked the House to accept Dr. Sapru's assurance, and the motion was put and lost.

Mr. Iswar Saran next moved that the provision of Rs. 7,35,000 for "Administration of Justice" be reduced by Rs. 30,000. He only wanted to know if there was no convict settlement in the N. W. F. Province. This was eventually withdrawn.

#### Expenditure in England.

Mr. Halley moved for the grant of Rs. 1,07,72,000 for expenditure in England.



Mr. Lathe moved that the sum of Rs. 2,84,000 for expenses in connection with probationers for the Forest Department be omitted. He urged that the recruitment and training of Indians for the Imperial Forest Service be made in India rather than in England. After a short discussion, Mr. Lathe pointed out that the entire service should be manned by Indians, but for the present, as it was stated that forty per cent of the posts would be filled by Indians and far more next year, he withdrew the motion and would wait and see what the Government did.

Mr. P. L. Misra moved that the item of Rs. 1,20,000 intended for the alteration of the Grosvenor Gardens be omitted.

*Indian Students in England.*

Munshi Ishwar Saran moved that the provision of Rs. 50,000 for the Indian Students' Department be reduced by Rs. 1,000.

Mr. Ishwar Saran, pointed out that the feeling of Indian students in England was that this department was brought into existence to keep an eye on their politics. Two or three years ago the Indian National Congress had demanded the abolition of this Department which had not gained the good-will of Indians or Indian students in England. After Mr. Shafi had assured the House that he would see that the arrangement had been taken away from the India Office and placed under the control of the High Commissioner who would be under the control of the Government of India, and that, as Education Member, he would take every care to see that this Department was hereafter conducted on the lines desired by the non-official members, Mr. Ishwar Saran withdrew his motion.

Dr. Gour moved that the provision of Rs. 1,85,000 for the Indian Students' Department be reduced by one lakh. He quoted the report of the Secretary of the Students' Department for 1916 to show that this responsible officer felt that it was mere waste of time and waste of money to send Indian students to prosecute in England their studies in Law and Engineering. From his personal experience in England, he believed the it was a sheer waste of time to send students for a study of Law in England. He pressed that no scholarships should be given to Indian students, unless they disclosed the particular course of study they were going to prosecute.

Mr. Shafi challenged the truth of the sweeping condemnation by Dr. Gour on the students who went to England for education in Law and Mr. Norton also repudiated the idea that Indian students were not treated on a footing of equality with their own students in Oxford and Cambridge. Dr. Gour eventually withdrew his motion.

DELHI—16TH. MARCH 1921

The Assembly met on 16th March to dispose of the last batch of demands under eleven heads. Railway demands amounting to Rs. 17,78,11,000, introduced the previous day, were taken up for discussion. One motion for the reduction of grant by ten crores stood in the name of Rai Bahadur Majumdar, but owing to his absence the motion was not taken up.

On a general discussion on Railway administration Dr. Nandlal wanted to tighten the mouth of the Railway money bag. As a common servant of both Europeans and Indians of all creeds, he objected to the spirit of differential treatment on Indian railways. His first grievance was that Indians could not get a waggon at all till the palm of a station master was greased. He next pointed out the deplorable treatment in regard to passengers, the Europeans getting a better treatment than the Indians. The third grievance was that the railway servants stole something from the commodities entrusted to their care. If he sent oranges somewhere, he should be ready to meet the fact that only half would reach the place of destination. This naturally resulted in the lack of confidence, and people instead of sending their articles by parcels entrusted them to travellers. Thus, the railway income suffered. Employers should, therefore, see that theft was put an end to. Then, again, railway compartments were horribly overcrowded, and the water-carriers at platforms were absent, because they were, perhaps, cooking the food of the station masters. (Laughter) As to new constructions, he would say that any new additions would entail the same corruption. The House should not call upon the tax-payers to pay for additional burden for their additional miseries. (Laughter.)

Sir George Barnes, replying, referred to the charge of corruption. He agreed and deplored that corruption did exist. He had been trying to put an end to this corruption, but the public did not help him in that task. Sometimes ago, he came across a mill-owner from the Central Provinces, who told him that he had paid Rs. 50 in order to procure a waggon, but when Sir George Barnes asked him to come and give particulars in order to bring a case against the station official, he fled away and absolutely declined to give any information. He related an almost similar case in which the aggrieved party did not want to give evidence even when persuaded, and observed that it was the absence of help from the public that enabled corruption to go on. He earnestly hoped that Indians would hereafter help the Government in putting down corruption. (A voice, certainly.) Referring to the charge of inequality of treatment between Indian and European passengers, Sir George Barnes observed

that it was mainly done by Indian Station-masters and not by European Station-masters who were very few in number. Again, if the Indian passengers brought any particular grievance to the notice of the authorities, it would be duly dealt with. As for the complaint about accommodation for third class passengers, he agreed that there was room for complaint, but these passengers ought to arrange to sit themselves in all compartments rather than all of them in one or two, because they happened to be all friends and relations.

Mr. Pickford wanted the existing lines to be put in order before new construction could be attempted, because they had been grossly neglected. Referring to Sir George Barnes' appeal for co-operation to put down corruption, Mr. Pickford related a case in which an Assistant Storekeeper made a written demand for two and a half per cent on the amount of a Bill he had just passed for payment. Mr. Pickford took this case up and was for many months subjected to such persecution at the hands of railway and Court officials that nothing on earth could persuade him to assist railway administration in bringing down bribery and corruption. He believed that the Indian public had been ever patient in the past.

Bakshi Sohanlal pointed out that the construction of certain railway lines which were absolutely necessary and which had been surveyed and sanctioned, had not yet been proceeded with.

Colonel Waghorn, President, Railway Board, referred to the two distinct sides of railway expenditure, one being charged to revenue for maintenance and working of railway lines, and the other being expenditure charged to capital necessary to bring the existing lines up to date and to undertake and finish new constructions. Now, this year, due to financial difficulties, the Finance Member had granted them only 17 crores, of which about 16 would be spent for improvement in the existing lines, and over one crore for completing the lines, like the Khyber Line and others already under construction. No new constructions, strictly speaking, were intended for the next year. Referring to the complaints of Dr. Nandal, the speaker admitted the urgent necessity for increasing third class compartments. The Board was thinking of meeting the public need in this direction. He asked Mr. Pickford to supply him (speaker) with details of the case of bribery that he referred to in his speech. Concluding, Col. Waghorn said that while fully recognising the need for extension and expansion he felt that as long as the finances at their disposal were inadequate they could not work wonders.

Lala Girdharilal, Mr. Zahiruddin Ahmed and Mr. Ginwala also spoke drawing attention to the shortcomings of railways.

Dr. Nandal's motion for reduction was put and lost.

The total demand under railways was, thereupon, carried.

#### Irrigation

On the motion of Sir Sydney Crookshank the demand for Rs. 3,14,000 under irrigation (not charged to revenues) was granted without discussion.

#### Delhi Capital Outlay

Sir Sydney Crookshank wanted a grant of Rs. 1,03,95,000 under the head "Delhi Capital Outlay."

Mr. P. L. Misra, who moved for a reduction by Rs. 10 lakhs, asked several questions about the details provided in the budget, especially those relating to engineers, architects, etc., and said that the duties ought not to have been divided into so many hands. This was a top-heavy administration, and, according to the present rate of progress, it would take eight years for the work to be completed, which meant that there was a lot of heavy expenditure of the poor tax-payer's money.

After a lengthy debate the motion was put and lost.

The total demand was accepted.

Mr. Hailey moved for the grant of one crore under a new demand to defray the charge for capital on the Indian Telegraph Department not charged to the revenue. This was carried.

#### Miscellaneous

Mr. Hailey introduced five more items under the head relating to disbursements, deposits, etc., which were all accepted without discussion. Mr. Hailey next demanded a grant of Rs. 2,25,00,85,000 under the head "Remittance". This demand was granted as also the last demand for 11,73,50,700 in the budget under the head "Home Transactions".

The whole discussion then terminated.

#### Result of Voting

The net result of the votings on demands for grants for the last six days was a total reduction by Rs. 29 lakhs under various heads and transfer of one crore under "Posts and Telegraphs" from the Revenue to capital account, thus reducing the deficit for the next year by one crore.

On March 17th the Legislative Assembly met with a heavy agenda of business.

#### Motion for a Joint Committee

Mr. Hailey moved that this Assembly do recommend to the Council that the Bills to further amend the Indian Tariff Act, 1894, the Indian Post Office Act, 1898, the Indian Income Tax Act, 1918, and the Super Tax Act, 1920, and to amend the Freight