

later by the Finance Member, but to correct certain misapprehensions regarding the right of the House to consider the details of military expenditure. Last March he had supplied the members with a long memorandum explaining all the items in the Military budget and also stating the military policy which the Commander-in-Chief and the Military Authorities were pursuing in respect of the Army in India. Moreover, the details of the Military Budget were given quite as fully as of any other Civil Department. The House could even now both scrutinise and criticise the Army estimates. He remembered two hot days in last March when he was receiving a shower of brickbats from all sides of the House, because every speaker who spoke on the budget attacked very little else than the Military figures.

Mr. McCarthy saw no danger on the Government acceding to the request of the mover. He announced his support to the motion, but suggested an amendment limiting the grant of the privilege of vote on all items to the coming budget only.

Mr. Ginwala, the mover of the original resolution, expressed his willingness to accept Mr. McCarthy's amendment.

Sir Frank Carter supported amidst applause the amended resolution on behalf of European non official members from Bengal and Bombay. He did so on the understanding that Mr. Ginwala and his supporters would abide by their promise of not abusing their new powers.

Sir Malcolm Hailey explained at great length the difficulties which confronted the Government in the interpretation of the Reforms Act. On the question as to whether the framers of the Act contemplated the discretion of the Governor-General to be used in allowing the House a discussion on non-votable items or both discussion and vote on those items, the Government would however consult legal officers of the Crown. He also explained the reasons which necessitated the reservation of certain items.

Continuing, Sir Malcolm Hailey doubted whether any Govt. had afforded its Legislature fuller details more carefully prepared than those which were placed before the Assembly last year on both military and civil expenditure. Touching the resolution, he feared that it was framed in wide terms in order to include two possible alternatives on different interpretations of Section 67 (3) of the Government of India Act. The language of the Act was open to two interpretations, one that the Governor-General was left the discretion to direct the Assembly to discuss the non-votable items, and secondly, that the Governor-General was left the discretion of vote of the Assembly. Mr. Ginwala's resolution was, therefore, so wide that it included both the interpretations. The Government, for its own part, could not commit itself to any interpretation without referring the matter to the legal officers of the Crown. In any case, the matter under discussion was such that it entirely rested with the Governor-

General who would be the final authority on the subject of discretion. It was, therefore, not the concern of the Governor-General-in-Council, and as each Government benches could not say anything on the matter on which the final opinion was only that of the Governor-General. He asked the House to consider the history of the manner under which the particular clause of the Act came into being. That clause did not exist in the Bill as presented in May, 1919. On the 31st October, it was for the first time introduced, and on the 3rd December, it assumed shape in which it was now found. In the Act the Joint Committee in its report did not suggest discretion in the manner interpreted by the mover. Sub-Section (3) of Section 67 of the Government of India Act, which was being doubly interpreted, runs: "The proposals of the Governor-General-in-Council for the appropriation of revenue or moneys relating to the following heads of expenditure shall not be submitted to the vote of the Legislative Assembly, nor shall they be open to discussion by either Chamber at the time when the annual statement is under consideration unless the Governor-General otherwise directs." Sub-Section (5) of the same Section runs: "The proposals of the Governor-General-in-Council for the appropriation of revenue or moneys relating to heads of expenditure not specified in the above heads shall be submitted to the vote of the Legislative Assembly in the form of demands for grants".

Sir Malcolm said that when Sub-Sections (3) and (5) were read together they suggested that the Act did not contemplate non-votable items to be submitted to the vote of the Assembly. He continued that at any rate it is possible that the intention of the framers of the Act was that the discretion of the Governor-General-in-Council should be limited entirely to opening the reserved items for discussion and not for vote. Moreover, there is really no procedure provided in the Act by which these reserved items can be brought before the Assembly. There is, therefore, an outstanding difficulty which we must face and are now placing before the law officers of the Crown. The Finance Member said that the Government fully knew the powers of the Assembly to bring about deadlocks and recognised the aspirations of the House. He thought that it was not necessary to indulge in the threats in which Dr. Gour and Mr. Ginnwala had indulged, for they had only weakened their cases by referring to them. He added that they could do anything with the Finance Member, but could not bribe him. (Laughter.) He reminded the House that the concessions now asked for went even further than what Mr. Patel, as representative of the Congress, and Mr. Sastri as the representative of the Moderate Deputation had demanded. Another difficulty was that they apprehended that the successor of the present House might not be as reasonable as the present Assembly had shown to be. Sir Malcolm said that there were important grounds which justified the reservation of items. As for Military estimates they all knew that India at present could not defend herself independent of the help of the United Kingdom. As long as the British Parliament was responsible for the defence of India, she must have the decided and final voice in the defence.

Dr. Gour : What about Australia ?

Sir Malcolm : Australia is not India. Australia has no land frontier, and she has already begun to have her own Navy. Similarly as long as the Secretary of State was to recruit men for Imperial Services he must be in a position to guarantee to the incumbents certain rate of pay. In conclusion of his long speech, the Finance Member said that if the interpretation of the Act showed that the Governor-General had the discretion claimed by the resolution, then the Governor-General in Council could take no action on the resolution whatever, because the full and final authority rested with the Governor-General who must be the sole judge and whose must be the sole decision.

Mr. Samarth, in supporting the motion, said that the Moderate Deputation, in the course of its evidence before the Joint Committee, only pressed those points which could then be possibly gained. He thought that the Act, as punctuated, clearly indicated that the Act as passed gave the Governor-General discretion to allow the Assembly to vote on the non-votable subjects. The resolution, he added, contained just and reasonable demands.

Bhai Man Singh asked whose fault it was that India after 150 years of British Rule was still unfit to defend herself. It was because they wanted so to regulate their future military policy as to make India self-defending that they were demanding the power of vote on Army estimates. Mr. Yamin Khan also supported.

At this stage, closure was applied for and granted. The House thereupon divided on the amendment of Mr. McCarthy and adopted the amendment, amidst applause, by 51 votes against 27.

The amendment having been carried, Mr. Ginwala briefly replied to the debate. The amended resolution of Mr. Ginwala was then put and carried without division. The resolution, as finally passed, ran :

"This Assembly recommends to the Governor-General in Council that such steps as may be necessary may be immediately taken to abolish the distinction between votable and non-votable items in the coming Budget and to submit the whole of the budget to the vote of this Assembly"

DELHI—28TH JANUARY 1921

The most important business of the day was the introduction of the Police Bill by Sir William Vincent. Discussion first proceeded on the Select Committee's Report on the Income Tax and Super Tax Bill. After various amendments had been moved and mostly negatived, the bill as amended was then passed.

Sir Sivaswami Iyer then brought forward a series of amendments to the Assembly's Standing Orders and after briefly explaining their objects moved that they be referred to the Select Committee already appointed in connection with this matter. The motion was agreed to.

Tampering with Police Loyalty

Sir William Vincent next moved for leave to introduce a Bill to provide penalty for spreading disaffection among the Police and for kindred offences. The statement of objects and reasons stated that, in view of the attempts that have been made and are being made (a) by means of threats, intimidation and otherwise to induce members of the Police force to refrain from doing their duty, and (b) to spread disaffection among them, the Government of India have for some time had under consideration the question of penalising such attempts. He said that neither the Indian Penal Code nor the Indian

Police Act, 1861, contained provisions to meet this evil. A prosecution could doubtless, in certain cases, be instituted under Section 29 of the Police Act read with abetment Sections of the Penal Code, but Section 29 of the Police Act was designed to meet ordinary breaches of discipline and would not cover many dangerous forms of tampering with the Police. Moreover, the maximum punishment permissible under this Section, namely, three months' rigorous imprisonment was manifestly inadequate for serious offences of the nature now in view. The Government of India were accordingly of opinion that the authorities should be given additional means of dealing with this form of crime, and it was proposed, therefore, to enact this Bill which had been framed on the lines of Section 3 of the English Police Act, 1919. The Bill was introduced without any discussion.

Sir William Vincent then introduced the Bill further to amend the Provincial Small Cause Courts Act, 1887, and the Code of Civil Procedure Code, 1918.

Mr. Hullah next moved that the report of the Select Committee on the Bill further to amend the law relating to Emigration be taken into consideration. On the motion of Mr. Rangachariar, who pointed out the importance of the measure and the lateness of the hour, the consideration of the Bill was postponed.

DELHI—31ST JANUARY 1922

Criminal Procedure Code

On the motion of Mr. Rangachari the House agreed to commit to a Select Committee his Bill which proposed to extend the provisions of Section 491 of Cr. P. C. to all High Courts and all persons within the appellate jurisdiction. The mover thought that there was no reason why all High Courts should not have the power to issue direction in the nature of *Habeas Corpus*, nor was there any adequate reason why protection afforded by Section 491 should be confined only to persons within the ordinary original jurisdiction. Moreover, in the case of European British subjects the power to deal with unlawful detention was already given to all High Courts and extended to these persons within the appellate jurisdiction also.

Mr. Ramayya Pantulu asked leave of the House to introduce his Bill to amend the Land Acquisition Act in order to provide against unlawful or vexatious acquisition of land. Mr. Hullah, Revenue Secretary, stated that while reserving its attitude on the issues involved in the Bill, Government would not object to its introduction. The House thereupon gave leave and Mr. Ramayya Pantulu introduced his Bill.

Rai Bahadur Bakshi Sohan Lal, asked leave to introduce his Bill to amend the Cr. Pr. Code in certain respects which, he thought, would result in levelling up the standard of justice. But as this subject was fully discussed by the Racial Distinctions Committee the House disallowed the matter.

Mr. Abul Kassem introduced his Bill to give legal status to Mukhtars practising in Criminal Courts. Sir William Vincent said that, while the Government reserved its future attitude regarding the Bill, he did not want to oppose its introduction.

DELHI—1ST FEBRUARY 1922

On February 1st a crowded House met to hear the discussion on Mr. Joshi's Women Franchise Bill. The proceedings opened with Sir William Vincent's introduction of a bill to amend the Lunacy Act.

Mr. N. M. Joshi then moved for an amendment of the Legislative Assembly Electoral Rules so as to remove sex disqualifications in the matter of registration on the electoral roll of persons who are entitled to vote in the election held for the Legislative Assembly. He said that although this resolution was to be moved by his weak voice, he had the support, express or silent, of half the population of the country. His proposal was very modest. He did not ask by this resolution that the women of this country should be enabled to become themselves candidates for election to this Assembly.

Col. Gidney and about half a dozen members asked :—Why not ?

"I am not asking by this resolution," said Mr. Joshi, "to create a large number of women rivals for those who are already in the field. (Laughter.) Of course, I am not against women coming and sitting in this Assembly, but I understand the feelings of some of my colleagues who are shy and nervous in the presence of women. (Laughter.) It is because I respect their feelings that I don't make an extreme proposal of that kind. The other reason why I don't propose that women should sit with us in this Assembly is that changes in the rules require the approval of the Government of India, then the Secretary of State and then the House of Commons and Lords. There are great difficulties involved in getting sanctions of these august bodies. Then, again, I am not asking that every woman in the country should have a vote." (A Voice : Why not?)

(Dr. Gour : Shame).

Mr. Joshi, continuing, said that the number of women will be very small, because only those who pay income tax or heavy land tax or municipal tax will be allowed to vote. I can't say how many enfranchised women there will be if this resolution is passed. At the last session of the Assembly I asked a question on this point, but the Government refused to give that information. Perhaps, in matters concerning women the Government prefers to stand neutral. I can not, therefore, give the number of women who will be enfranchised. Again, this resolution will apply only to those Provinces, where the Local Councils

have removed the disqualification for election of members to Local Councils. So it will apply only to Madras and Bombay. I am not bringing the Upper House within the sphere of this resolution, because in that House I am quite sure that there is hardly any room for such a modern idea as the enfranchisement of women. (Laughter.) The resolution is not compulsory and it will not disturb the gosha or pardah ladies if they don't want to come and vote.

Dr. Gour in moving an amendment emphasised the necessity for the removal of sex disqualification in the way of women practising as lawyers. He quoted instances of able ladies who had passed their law examinations, but were not allowed to practise on no legal grounds, but for the mere reason of their belonging to the fair sex. But it was to the credit of the Allahabad High Court that it had the good sense of allowing Miss C. Sorabji to practise at its Bar. The Legal practitioners Act allowed all duly qualified persons to practise, and the word "person" in the Act covered both sexes. So there was no legal difficulty in the way. In order to give effect to his desire, he moved an amendment to Mr. Joshi's resolution by adding, at the end of his motion, a request to the Government to remove the sex bar held to disqualify women from enrolment as legal practitioners in the Courts of this country.

Mr Rangaohariar raised an objection as to whether, according to the Assembly rules, Dr. Gour could move an amendment which went far beyond the scope of the original proposition. The resolution only desired to enable women to be registered on the electoral roles of the Assembly, while the amendment demanded the removal of disability in their way as legal practitioners. The President disallowed the objection and gave his ruling in favour of Dr. Gour.

Sir William Vincent pointed out that Dr. Gour's amendment had introduced a very different subject. With all respect to the Chair, Government felt that an important discussion had sprung up at the last moment. The question involved several difficulties. He announced that Government would consult the High Courts and Local Governments on this question and secure public opinion. After that it would be open to any member of the Assembly to move a resolution on that point. He hoped that this assurance would satisfy Dr. Gour who championed the cause of the fair sex and that the House would not be asked to give a verdict prematurely.

Dr. Gour, in view of the assurance of the Home Member, asked leave to withdraw his amendment. The original resolution was pressed to a division and carried amidst applause, 41 voting for and 16 against it.

DELHI—3RD FEBRUARY 1922

After questions were answered, the first resolution which stood in the name of Mr. Ginwalla was to have been taken up. The

resolution asked for the appointment of a Committee to examine the provisions of the Indian Penal Code in order to bring them into conformity with modern conditions, but as Mr. Ginwalla was not present the resolution was taken as withdrawn. The second motion on the agenda stood in the name of Mr. Sambanda Mudaliar for the reduction of the contribution of the Madras Government to the Central Government from Rs. 148 lakhs to one crore of rupees. Before Mr. Mudaliar stood up the President ruled that the resolution could not be moved, as the Assembly had already rejected an amendment of a similar character moved by Mr. Venkatapathi Raju on the resolution of the Finance Member on the 30th September last in Simla waiving the claim of the Central Government on the Bengal Government's contribution for three years to the extent of Rs. 63 lakhs.

The next three resolutions on the agenda paper were in the names of Mr. Maung Sin for the separation of Burma, of Mr. Ahmad for the release of the Ali Brothers and others, and Mr. Yamin Khan for stopping the export of wheat and wheat-flour except for the consumption of Indian Hajjis in Hedjaz for a period of three years, but all these three members were absent and their resolutions were taken as withdrawn.

Upon this Sir William Vincent entered a strong protest against the manner in which Government had been treated by those members by failing to attend that meeting. Government had to prepare replies for a considerable number of resolutions of which notice was received. In the case of one of the motions appearing on the agenda the Home Department had to spend several hours for collecting the required information and only at the last moment after they had undergone the labours the mover had told them that he was not willing to move.

The Andhra Province.

Mr. J. Ramayya Pantulu then moved his resolution that the Andhra districts should be constituted into a separate Province and that early action may be taken in this respect. He said, that the justice of his plea had been freely acknowledged by Government officials, and Dr. Sapru, while a non-official, had declared himself in favour of the proposals. Moreover, Andhra country had produced men now occupying high positions of responsibility.

On Sir William Vincent replying that it would entail useless additional expenditure, the resolution was withdrawn.

Indian Cantonment Code

Mr. Haji Wajihuddin next moved for a Joint Committee of officials and non-officials to enquire into all the cases of expulsion

from Cantonments under Section 216 of the Indian Cantonment Code of 1912 and that the Committee should contain two-thirds non-officials, partly elected by this Assembly and partly nominated by the All-India Cantonment Association.

Mr. Piyare Lal, who was the Chairman of the Reception Committee at the All-India Cantonment Conference held at Meerut, strongly supported the resolution, pointing out that Section 216 had been construed to apply to those cases which it was never intended to apply. He voiced the feelings of vehement protest against this Section by the civil population living in Cantonments.

On Sir Godfrey Fell replying that the Government would modify section 216, the mover withdrew his resolution.

Retrenchment Committee

Dr. H. S. Gour then moved his retrenchment resolution, which asked for the appointment of a mixed Committee of officials and non-officials to enquire into the cost of the Central Government and report on the possibility of effecting economy therein. Dr. Gour said he would deal with the Military and Civil Departments separately and suggest cuts taking the Military Department first. He said that the upkeep of British soldiers alone cost them last year a little less than Rs. 17 crores. Indian soldiers cost only one-fifth of his British comrades. So by the doing away with the British element they would immediately effect a saving of Rs. 13 crores. Again, even though four Commands had been created, the Army Headquarters was more populous than in the pre-War days. There was lack of policy. Aerodromes were first built and then scratched. More than a crore of rupees was spent on Air Service which was not very useful and which India could not afford at present. The Territorial and Auxiliary Forces should be able to dispense with the necessity of the maintenance of troops for internal security. Dr. Gour then named all departments one by one, pointing out that those were over-staffed, especially in the senior offices. He said that the House should insist not on the association of its members with any officials in advisory capacity. The House should appoint its own Committee to effect salutary retrenchments in the expenditure of the Central Government. He was surprised to find that, in spite of subjects like education, revenue, agriculture, etc., being now transferred, the Central establishment maintained its previous strength.

Mr. Samarth, in reply to the Government plea, said that the question was not whether Government was satisfied with its reductions, but whether the House was satisfied with them. It was, therefore, necessary that they should have a Com-

mitter of the House which should call any Officer it liked to place before it all files and explain the details of expenditure. For instance, the Controller of supplies might be asked to produce copies of sugar contract which would show whether the tenders had been invited or not, and whether orders had been given at the market rates. A departmental official, however earnest about economy, could not, consistent with his constitutional position, recommend to Government a change in the policy which alone was responsible for wastes. What the House should insist on was its own Committee to examine the policy which was responsible for extravagance and recommend a change in that policy.

Sir Malcolm Hailey, replying to the debate, agreed that retrenchment was necessary. He claimed on behalf of the Government of India that they were striving their best to effect economies in every direction, and said they had already resisted year in and year out new items of expenditure. He did not deprecate criticisms or suggestions for making retrenchment, but he must join issue with Dr. Gour in some of his statements. Dr. Gour had stated that there were two Secretaries in Commerce and Industries Department. Sir Malcolm thought it was a matter of credit that Government had only one member. (Laughter.) Dr. Gour was then wrong when he stated that there were two Secretaries in the Home Department. In fact, there was only one Secretary. As for his own Department (the Finance) he pointed out that there was one Officer who was engaged in income-tax work which was proceeding. Sir Malcolm Hailey emphasised the statement which Mr. Cook the Finance Secretary, made in the Council of State in reply to Mr. Sethna's resolution for retrenchment and observed that that was the right course to adopt in the circumstances. He pointed that, in the first place, the departments would be given a chance of finding out where economy could be effected and, in the second place, an independent enquiry would be made by an officer of the Finance Department whose suggestions would be considered by the Executive Council. "Sir, it was suggested in the Council of State that non-officials ought to be associated with this enquiry and the same point was mentioned by Dr. Gour in order, as he said, to satisfy the Council that everything had been done in the way of retrenchment. I may inform the House that it has been decided by the Governor-General to associate two non-officials of this House and two non-officials of the other House with the Officer who would be engaged in the enquiry. I ask, is this not a better method of dealing with the question than the appointment of a Committee as suggested by Dr. Gour? (Dr. Gour: No.) Sir, I have got a wider experience of this matter and I firmly believe that the association we suggest of non-officials with the Officer who is to report to the Executive Council will be the best way of securing retrenchment. The Committee which Dr. Gour suggests will not be such an effective weapon as the one we have proposed, because in the first place, retrenchment ought to be made by Government itself, and they ought to have a chance of setting to the work seriously, but if afterwards we find that we have not achieved much in the desired direction, it is perfectly open to the Assembly to ask for a Committee, but for the present give the Government every chance of effecting retrenchment on which they are very keen."

Sir Frank Carter while heartily supporting the resolution, dissociated himself with the observation of Dr. Gour regarding military expenditure. He thought the British Army had been

reduced considerably and the effect of further reduction would be very serious, because when civil disobedience was being talked of it was necessary that the Army should be maintained to protect Government against the people of this country. There were other fields for retrenchment especially as regards contracts. He knew a bit of sugar contract (Laughter.) "We want a Committee of this House. I don't think the appointment of a single officer with four non-officials associated with him is sufficient".

Mr. Rangachari was surprised to see Sir Frank Carter stating that the Army must be maintained for the protection of the Government against the people of this country. Armies were maintained all over the world against external aggression, and this was the first time he heard the suggestion in this House that Army must be maintained to defend Government against the people of country. He emphasised that no Army should be maintained to protect Government against the people. On the other hand, they must see that the people formed part of the Government.

The resolution was then put and carried without a division.

DELHI—6TH FEBRUARY 1922

Esher Committee's Report

There was a question in the name of Sir Sivaswamy Iyer on the Assembly's recommendation on the Esher Committee's report. The reply to this question, ran thus : As regards the two particular matters, to which the Hon. Member refers, the Government of India have been, for some time past, in communication with the Secretary of State on the subject of admission of Indians to the Commissioned ranks of artillery and other arms of His Majesty's Forces, and the question of the form of Commission in Indian Territorial and Auxiliary Forces is also the subject of correspondence with the Secretary of State. No final orders have yet been received on either subject.

Indians in Kenya

Mr. N. M. Sarmath moved for the adjournment of the House to consider a matter of definite and urgent public importance relating to the grave position of Indians in Kenya on account of the recent pronouncement of Mr. Churchill at the East African Banquet and the immediate action the Governor-General-in-Council should take in the matter.

The President pointed out that the resolution in the name of Mr. Agnihotri raising the same subject in general terms had already been set down for discussion on the 9th instant. Mr. Sarmath's motion was thus anticipating a substantial proposition which had already been ballotted. He therefore refused to allow a discussion.

The Assembly proceeded with the transaction of Legislative business. On the motion of Sir William Vincent the House took into consideration the Bill to amend the Provincial Small Causes Courts

Act and the Code of Civil Procedure in order to provide for award of costs by way of damages in respect of false or vexatious claims or defences in civil suits proceedings.

The Assembly passed the Bill to amend the Benares Hindu University Act as passed in the Council of State.

Indentured Emigration

The House then began discussion on the report of the Select Committee on the Emigration Bill. The report of the Select Committee was not unanimous in all respects. Messrs. Rangachari, Joshi and Laxmi Narayan had each appended a minute of dissent. The object of the Bill was to prevent indentured emigration and to provide for machinery for control of emigration in future. A number of amendments were moved first by Mr. Joshi who wanted to limit the life of the legislation to 5 years only, because it was dictated by political conditions which would rapidly improve in the interests of labourers who did not like that there should be placed on the Statue Book permanently an Act which restricted legitimate freedom of action of laborers.

The amendment of Mr. Joshi was put and rejected. After more than twelve other amendments had been disposed of, the Bill was passed as it emerged from the Select Committee.

DELHI—7TH FEBRUARY 1922

Suppression of Traffic in Women

The Home Member moved the resolution on the suppression of the traffic in women as adopted in the Council of State, but with a small amendment. The amended resolution ran as follows :

This Assembly recommends to the Governor-General-in-Council that India do sign the International Convention for the suppression of traffic in women and children accepted by the Assembly of the League of Nations at its Second Session subject to the reservation that, in supplying Article 5 of the Convention, India may, at its discretion, substitute 16 completed years of age for 21 completed years of age.

Mr. Joshi moved an amendment that the words "subject to the reservation" be omitted. The object of this resolution was that protection should be given in India also to girls up to the age of 21. He said there was not much force in the argument that girls in India attained maturity at an early age of 16. Indians did not want to take advantage of the reservation proposed by the Home Member. The amendment of Mr. Joshi bringing the protection of girls and women till the age of 21 even in India was pressed to a division and lost, 24 voting for and 32 against it.

The original resolution of the Home Member was then put and carried.

Amending Civil Procedure Code.

Lala Girdharilal Agarwala asked the House leave to introduce a Bill to amend the Code of Civil Procedure. The only object of the Bill was to extend the privilege of appearing without Vakalat-nama or power of attorney to all legal practitioners of High Courts and Chief Courts which had hitherto been enjoyed by Barristers and certain Advocates only. Mr. Agarwala said that his proposition would in no way degrade the position of Barristers. Leave was given for the introduction of Mr. Agarwala's Bill.

DELHI—8TH FEBRUARY 1922

Arms Rules

Baba Ujjagar Singh Bedi moved: "This Assembly recommends to the Governor-General-in-Council that he may be pleased to appoint a Committee with a non-official majority to examine the new Arms Rules, 1920, and to submit their report before the next session, making specific recommendations with a view to further amend them."

Sir William Vincent signified his readiness to accept the terms of the resolution, although not for the reasons advanced by the mover and his supporters in favor of the motion. He said that the Government was quite prepared to have the rules examined by a Committee subject to the principles that (1) there shall be no racial distinction and (2) that power must be retained to prevent arms from falling into undesirable and lawless hands.

The resolution was put and unanimously carried.

Martial Law in Malabar

Rao Bahadur C. S. Subramanyam moved:—"This Assembly recommends to the Governor-General-in-Council that he may be pleased to withdraw the administration of Martial Law in Malabar in the Madras Presidency and further to state what arrangements are intended to be made for the future administration of the Martial Law area of Malabar till normal conditions are restored."

There was a long discussion over the matter, the Malabar Members speaking strongly in favour of the resolution. Mr. Muhammad Schamnad, a Mopla Member, said that he had visited Malabar a fortnight ago. One feature of the Martial Law administration was the burning of thousands of Mopla houses by the police and the military. In one village alone he could count more than 100 houses burnt by road side only. The rebellion was started as a joint concern by some Moplas, Nairs, and others of the Non-Co-operation party. Mr. Schamnad observed that all that they read in papers was only one side of the question. The train tragedy, the refusal of relief to the Mopla sufferers and the burning of houses even

in villages where there were no disturbances at all, were acts in pursuance of a policy of exterminating the Moplas. Mr. Schamnad recounted the sufferings of the Mopla refugees who, he said, were not given protection and help, while thousands of Hindus were receiving relief from the District Congress Committee. What was urgently needed was the opening of the ordinary course of law and the cessation of further arrests if they wanted to solve the question. They must enter it without any spirit of retaliation and prejudice. The three things necessary for the improvement of the affected area were compulsory education, introduction of more liberal and up-to-date land tenure system and the opening up of the country by railways. All these could be settled only on the report of an independent commission which must be appointed by the Government of India.

Mr. Zahiruddin Ahmed supported the resolution. In his opinion Martial Law ought to have been withdrawn long ago. The Government had done in Malabar such atrocities as had been perpetrated by Nadir Shah in Delhi. Mr. Ahmed thought that the stories about Moplas published in the Government Communiques were all exaggerated.

Dr. Gour, who moved an amendment proposing to ask for a judicial enquiry into the administration of Martial Law, in Malabar, said that after listening to the debate he felt that his information about the situation in Malabar was not correct. He would not therefore move his amendment, because the necessary atmosphere for the holding of such an enquiry had not yet come about. He very much deprecated irrelevant notes struck during the course of the debate by those who had talked about conditions in the whole country rather than Malabar, and had urged the Government to take stern measures for the maintenance of order. He asked Mr. Subramaniam to follow suit and withdraw his proposition.

Sir William Vincent, in a long speech, made an important announcement about Government's future policy with regard to the Martial Law area. The Home Member first thanked Mr. Subramaniam for doing a public service in bringing forth his resolution, which had enabled the Government to put forth their view, and had also given an opportunity to the House to know the conditions in Malabar. He repudiated the allegations made by the mover against the Madras Government, "On the other hand," added the Home Member, "I think the Madras Government behaved throughout with the utmost propriety in the administration of Martial Law, which has been singularly successful. When I went down to Malabar to see if I could be of any assistance to the officers on the spot, throughout my tour in that district I was satisfied that there were no complaints against the administration of Martial Law. The only complaint was that it was too lenient." The Home Member paid encomiums to Colonel Humphreys, Mr. Evans and other Civil and Military Officers who had worked under great hardships and amidst constant dangers to their lives. The House would do well to pay a tribute to the great work done by those officers instead of attacking them.

Coming to the subject of the resolution, the Home Member said that on the 26th February the Ordinance sanctioning Martial Law would expire, and Martial Law would automatically cease. The Government was aware that normal conditions had not, and by that time would not be, restored. Two or three Mopla leaders were still out for mischief, murdering, looting, and converting people. He had heard, with great astonishment, Mr. Zahiruddin Ahmed denying these conversions. If Mr. Zahiruddin had gone to the West Coast, he would not have dared to make a statement of that sort. The problem before the authorities was to ask Hindus and local Moplas to return to their homes. But in the difficult circumstances, while recognising the desirability of not continuing Martial Law in full operation, the Madras Government felt that it was quite impossible to carry on under ordinary law until normal conditions were restored. It was, therefore, absolutely necessary that the Local Government should be given some extra authority to protect the people.

Sir William said: "What we purpose to do is that on the expiry of Martial Law we will issue another Ordinance which will give the Local Government power to make certain orders and regulations which are regarded as necessary for the protection of these unfortunate people who are returning to their homes and for the maintenance and restoration of law and order. What we want to do is to instil confidence and induce Hindus to return to their homes, and afterwards withdraw the troops gradually as the conditions improve."

He said that another difficulty was that a large number of cases had not still been disposed of. For their control they proposed to substitute in place of existing tribunals Courts of Civil Magistrates, summary Courts of Special Magistrates, and Courts of Special judges. There will be right of appeal. These conditions, he was sure, would satisfy all members of the Assembly.

The Home Member refuted several allegations of Mr. Schamnad. He said that Mr. Schamnad had never left his place to go to the affected area to see for himself the conditions, and had now come forward to make serious allegations which were entirely groundless. For instance, it was alleged, some Hindu Nayers were the cause of the outbreak. He asked Mr. Schamnad candidly to tell him whether he believed that statement. The fact was that the unfortunate Moplas were misled by their religious priests. The speech of Mr. Haarat Mohaul as President of the Muslim League at Ahmedabad characterised the rising as a Muhammadan revolt for the protection of the Khilafat. It was, therefore, quite obvious that the Khilafat agitation fostered by the religious preachers of the Moplas was responsible for the rebellion. Of course, some Hindu Non-Co-operators were also spreading the movement, although they were never aware that it would result in the conversion of Hindus to Muhammadans. But the main leaders were the Khilafat preachers. The Home Member was glad that Dr. Gour had withdrawn his amendment for a Committee of Enquiry, because for obvious reasons it could not be held at present. The Government did not think there was any necessity for such a Committee. There were no allegations that Martial Law was abused, although he was quite prepared to make enquiries about any specific matters. There was no basis for an enquiry, and the appointment of a Committee would, therefore, mean a slur on those officers who had been attempting to do their duties in the very difficult circumstances. The Home Member said: "From all I have seen or heard and read, I feel that martial law has been administered with the utmost consideration, and that this House will be satisfied with the information I have given to the Hon. Members."

When the Home Member resumed his seat, there were cries addressed to Mr. Subramaniam to withdraw. Thereupon, Mr. Subramaniam asked leave of the House to withdraw his resolution,

DELHI—9TH FEBRUARY 1922

Enquiry into Medical Training.

Colonel Gidney moved: "This Assembly recommends to the Governor-General-in-Council that he may be pleased to appoint a Committee of professional experts half to be obtained from the United Kingdom in consultation with the General Medical Council and the other half from India to tour India and to enquire into the training that is obtained in various medical and surgical institutions, both official and non-official, and to submit recommendations with a view to bringing the Indian institutions in all respects on a level with those of the United Kingdom and thereby create in India a suitable field of recruitment for its entire Medical Service."

After a short discussion the resolution was rejected.

Indians in Kenya.

Mr. Agnihotri moved: "This Assembly recommends to the Governor-General-in-Council that he do represent to the Imperial Government that the failure on the part of the Imperial Govt. to meet the lawful and modest claims of Indians for equality of status of the British subjects in all parts of Africa will be regarded as a serious violation of the equal status promised to Indians in the British Empire."

He said that British rule in India had been described as full of breaches of promises or interpretation of promises in favor of the Whites. However, the resolution of the recent Imperial Conference for equality of status in all Dominions, except in South Africa, had a wholesome effect in India. It was thought that the interests of Indians in the Colonies would be safeguarded and equal status granted to them. Little did they expect that Mr. Churchill would make another breach of promise and by a tactless and unsympathetic speech shock India. The people were inclined to think that, after all, the Non-co-operators were not wrong in distrusting British statesmen. He stated, at great length, the whole history of emigration of Indians to Africa, their domicile in that country and their rights and disabilities. He said that Indians, to whom was due the development of the Union, deserved better treatment than what the retrograde report of the Asiatic Enquiry Commission had tried to justify. The position of Indians in Africa had become intolerable, and the Colonial Office had, as usual, added another insult to injury through Mr. Churchill's speech. Flimsy grounds like sanitation and difference in social condition should not be allowed to deprive Indians of their cherished and fundamental rights. He paid a great tribute to the noble efforts made by the Government of India on behalf of Indians.

Mr. Samarth moved an amendment by way of addition of a clause to Mr. Agnihotri's resolution by asking the Government to

cable to the Secretary of State and through him to bring to the notice of the British Cabinet the Assembly's feeling of indignation at the pronouncement reported to have been made recently by Mr. Churchill at the last African dinner in London. Mr. Samarth delivered a strong speech. He refused to believe that Mr. Churchill's pronouncement was the considered decision of the British Cabinet, for he could not conceive the Imperial Government betraying so completely their solemn promises.

Sir Frank Carter said that he very much sympathised with the natural aspirations of Indians, and was sorry to disturb the harmony of the House by striking a different note. But he thought facts should be stated at present. In East Africa there were about 35,000 Indians and 9,000 Europeans. Forty thousand square miles were set apart for Whites and 2,00,000 for Indians. So the proportion of distribution was quite fair. Europeans were the pioneers in Kenya. It was their capital which had developed the country and they were entitled to say in its settlement. Lord Esher and Lord Milner had promised them the Highlands, and they did not want that Indians should buy their lands. (Cries of "why"). Perhaps, he could ask why Europeans were not allowed to buy land in Kashmir. (Voices: But that is not British Territory.) Apart from that Indian settlers did not want the Highlands. Only a few agitators, such as Mr. Gandhi, had created the trouble, and the House should not back up Mr. Gandhi of East Africa as it would not back up Mr. Gandhi's vagaries here. Moreover, the present Non-co-operation movement was having a very deterrent effect on the aspirations of Indians, and all Dominions were afraid lest their equilibrium be disturbed. He said: "I think, unless we can put our house in order in India, we cannot expect other parts of the British Empire to give us what is our due. Until then we cannot expect the Colonies to treat us as trustworthy parts of the Empire."

Mr. Jamnadas Dwarkadas regretted Sir Frank Carter's attitude on a question of such vital importance to the self-respect of India. He regretted all the more that Mr. Churchill had, by his speech, only co-operated with Mr. Gandhi in giving him further material for setting fire to the house.

Mr. Spence associated himself with the expression of opinion given by Sir Frank Carter. He said the real position was that Lord Esher and Lord Milner had promised to reserve the Highland for Europeans, and under that promise the British soldiers and officers who had fought gallantly in the war went to Kenya to settle in that region. Was it fair that the British Government should break its promises and deprive these settlers of the Highlands? After all, the Whites of Kenya were a small community, and he should have preferred if they had tried to see that Indians in South Africa were granted equal rights. The position in South Africa should have been made the test of the truth of the professions of equal partnership of Indians.

Mr. Ishwar Saran recounted the common story of how a lamb drinking water at a stream was devoured by a wolf. Although Indians were in East Africa long before the Whites went there, the latter were now claiming that they were the pioneers and as such were entitled to a better share of the land. He was sure that Mr. Spence was not right in stating that Indians wanted to deprive the Whites of their rights. They wanted only a little share in the lands which the Europeans thought must not be infected by the Blacks. He had heard Sir Frank Carter begin with sympathising with the aspirations of Indians. Of course, that was now-a-days the approved style of speaking (laughter), especially with Government Members who always began with sympathising and ended with "but." (Laughter.) Sir William Vincent was particularly accustomed to that sort of argument (Laughter.) He thought once that Sir Frank Carter had spoken the perfect truth when he said that it was only by putting our house in order that Indians could expect respect outside India. The problem of Kenya was the real test to find whether the talk about the equal partnership was a camouflage or a reality.

Dr. Gour characterised the postprandial effusion of Mr. Churchill as a somersault intended to safeguard the interests of White settlers as against Indians. It was, indeed, strange that that benefactor of mankind had found support in Sir Frank Carter and Mr. Spence. The connection between Mr. Gandhi's Non-Co-operation and the rights of British Indians in Kenya was as intimate as Mr. Gandhi's relation with the sunspots. (Laughter.) If India was to be a home of the Britisher, let the Britisher admit that the Indian had an equal right of settling down in any part of the British Empire. That was the fundamental law and the basic principle which must be made clear.

After Mr. Sarma on behalf of Govt. had explained at length what they were doing in the matter of Kenya, the resolution was amended. The resolution, as finally adopted unanimously, ran as follows:

"This Assembly recommends to the Governor-General-in-Council that he do represent to His Majesty's Government that any failure in His Majesty's African Territories to meet the lawful claims of Indians for equality of status with all other classes of His Majesty's subjects will be regarded as a serious violation of the rights of Indians to citizenship which were recognised and affirmed only so recently as of the Imperial Conference of 1921, and in particular that he do cable to the Secretary of State for India and through him bring to the notice of the British Cabinet the emphatic protest of this Assembly at the pronouncement reported to have been made recently by the Right Hon. Winston Churchill at the East African Dinner in London."

DELHI—11TH FEBRUARY 1922

Indianisation of Services

Mr. Jamnadas Dwarkadas moved a resolution for the Indianisation of the Services. This resolution was moved by him on the 29th September in Simla, but owing to want of quorum the discussion on it was postponed. The resolution runs:—

"This Assembly recommends to the Governor-General-in-Council that having regard to the Declaration of August, 1917, he be pleased to arrange that, in future, recruitment for All-India Services, excepting those of a technical character, shall be made as far as possible in India and also to take steps to provide in India such educational facilities as would enable Indians to enter these technical services in large numbers than is at present possible."

He said that his resolution did not introduce racial question, because it did not exclude any race. It only wanted the barrier in the way of Indians to be removed. He would, therefore, regret very much if the members who had given notice of amendments pressed for communal ratios in the recruitment. He appealed to the House to get rid of communal fever and to let the Services be open to the best brains as the result of competition.

Sir William Vincent gave a lengthy reply promising to consult the Local Governments on this question and to forward to the Secretary of State their opinions as well as those of the Government of India in a reasoned despatch which would take into consideration the various points raised in the debate. He said :—

Under the existing constitution His Majesty's Government and Parliament were to judge the pace at which the Indianisation of the Services ought to proceed. It had been suggested that the Indianisation had not been actively supported by the Government of India. But it must be remembered that the active proportion of Indians in the Civil Service was 33 rising to 43, in the Police Service it was 38, in the Forest 52, Education 50. Agriculture, Engineering and Civil Veterinary also 50 each and the Medical Service about 40. These figures would illustrate that, since the announcement of August, 1917, a very great advance and a real advance had been made by the Government. The Home Member quoted figures to show what had so far been done by the Government to effect the gradual Indianisation of the Services between 1897 to 1918. The total recruitment of Indians, he said, was 66, while others numbered 960 in the Civil Service. The recruitment of Indians between 1917 to 1921 had been 59 against 126 others. But in 1921 there were 37 Indians against 38 others, which means practically up to 50 per cent. In the Indian Medical Service the number of Indians admitted during the six years between 1910 to 1915 was 40 as against 112, and in three years, 1919, 1920 and 1921 the figures were 78 Indians against 43 others which gave a proportion of over 50 per cent. In these circumstances the Home Member asked, was it right, was it fair to say that the doors were closed for Indians? Sir, the character of the Service has changed so much that many Europeans, full of energy and anxiety to secure efficiency in the administration, are hesitating to come in the present atmosphere of hostility in which our officers have to work.

A voice : No.

Sir William Vincent : Who has got the audacity to say no? I declare that every District Officer now is performing the most ardent and the most difficult duties under insuperable conditions. I do say that Officers now-a-days are subjected to constant attacks in the Press and on the platform. In this connection I am glad to say that the Ministers have generally supported the Officers in the execution of their difficult and dangerous duties. The District Officers are also not without anxiety as to the security of their pensions in the future. We have before us proposals of premature retirement on pensions. Already

we have 40 applications for retirement from two services alone, and many persons have taken leave preparatory to retirement. It does seem to me that every man has a right to know whether the people of India want the services of Englishmen or not. If they do not, let them say so and face the consequences. The present condition of service in India is affecting requirement; see that for the last examination 86 candidates turned up, of whom 26 were Indians. There were 16 vacancies and 3 Europeans were among the successful candidates and 18 Indians.

Several members including Mr. Seshagiri Iyer, Dr. Gour and Mr. Samarth strongly supported the motion inspite of all the objection of Sir William.

Khan Bahadur Abdur Rahim Khan moved an amendment to the effect that in any scheme of Indianisation communal interests must be safeguarded.

Mr. Zabiruddin Ahmed, in the course of a humorous speech, gave his sympathy but not his support to the resolution. Amidst laughter he described India as consisting of two cats who were fighting for the cake of chesse, the monkey (British), who had the qualities of the lion and the fox, intervened and distributed the cake in such a way that two-fifths went to the bigger cat, one-fifth to the smaller cat and two-fifths it kept to itself. The monkey had not deceived them although his fox nature was proving troublesome. If the monkey withdrew, the two cats would fight and the bigger would kill the smaller. The result would be that the wolves of Japan and the wild cats of Afghanistan would come upon the surviving cat and would devour her. This, he said, would be the position of India if the British left her.

The Home Member moved an amendment that enquiries be inaugurated without delay from Local Governments as to the measures possible to give effect to the Declaration of the 20th August, 1917, in the discretion of increased recruitment of Indians for All-India Services. Several other amendments were proposed but were all negatived and Mr. Dwarkadas accepted the Home Member's amendment. The resolution, as amended by Sir William Vincent, was finally put and adopted. The resolution, as carried, reads:

"This Assembly recommends to the Governor-General-in-Council that enquiries should be inaugurated without delay from Local Governments as to the measures possible to give effect to the Declaration of the 20th August, 1917, in the direction of increased recruitment of Indians for All-India Services and also that steps be taken to provide in India such educational facilities as will enable Indians to enter the technical services in large numbers than is at present possible."

DELHI—13TH FEBRUARY 1922

On the Assembly meeting on the 13th the House asked the Government to cable Home immediately their complete confidence

in Mr. Montagu as a counterblast to the vote of censure on him which is to be discussed in the House of Commons next day.

Interpellations

At question time, replying to Mr. B. R. Singha, Sir William Vincent said that the Government were considering the subject of abolition of the Posts of Divisional Commissioners, but that the question of abolition of posts of Superintending Engineers or Sanitary Engineers was not being considered.

Replying to Mr. S. P. Bajpai, the Home Member said that the result of the voting on Mr. Girdhara's resolution for making the whole budget votable had been wired to the Secretary of State who had been asked to obtain the opinion of Law Officers of the Crown on the point at issue.

E. I. Railway Strike

After interpellations, Lala Girdhari Lal Agarwala asked for leave to move an adjournment of the House to discuss the strike situation in the East Indian Railway. This was not allowed but Col. Waghorn made a statement regarding the strike exonerating the European fireman who had assaulted Naudlal, the Indian fireman.

Confidence in Mr. Montagu

Mr. Jamnadas Dwarkadas, in moving the adjournment of the House for the purpose of discussing the proposed vote of censure on Mr. Montagu in the House of Commons, said :

"This House is probably aware that an attempt is being made in England to pass a vote of censure on the Right Hon. E. S. Montagu. As a matter of fact, Sir Joynson-Hicks, a Member of Parliament, has already given notice of a vote of censure which is to be discussed in the Parliament to-morrow. So far as feeling in India is concerned, I make bold to say that any attempt at passing a vote of censure on Mr. Montagu will be met in India with the greatest opposition, for, I think, I am expressing the views of the Members of the Assembly, and not only of the members, but of a large portion of the public, when I say that in the opinion of India Mr. Montagu has proved to be the greatest Secretary of State. It is due to Mr. Montagu that England and India have been drawn closer, and to-day, if sensible opinion in India has shown itself willing to work the constitution for the purpose of achieving Responsible Government, it is mainly because of the confidence that they have in Mr. Montagu's policy. Only the other day in this House we discussed the subject of Mr. Churchill's speech. We had Mr. Montagu answering Mr. Churchill and saying that he will support the view of the Government of India and of the Indian people. Mr. Montagu has gone further, and said that neither riot nor revolution will interfere with his policy of Reforms in India. We will only be acting in our own interests if we avail ourselves of this opportunity of expressing our sense of satisfaction at Mr. Montagu's splendid work for India. We know that his heart beats as much for India as the heart of the most patriotic Indian, and we have perfect confidence in Mr. Montagu and his policy."

Sir William Vincent said that the Government, being subordinate to the Secretary of State, was very unwilling to ask the Chair to allow a discussion on the motion. He said : "I gather that it is the desire of the majority of this House that a communication should be sent to the Secretary of State expressing confidence of

this Assembly in him (hear, hear), in view of the notice of a motion of censure in Parliament in reply to the King's speech. Perhaps, it may meet the case if I undertake to send to-day a clear line message communicating that opinion to the Right Hon. the Secretary of State for use in such manner as he may think it possible. The Hon. Members will see that Government being subordinate to the Secretary of State it is quite impossible for us to take part in this matter. Perhaps, it will meet the Hon. Members' wishes and avoid further discussion if I undertake to cable the confidence in the Secretary of State of the majority, if not the whole of the non-official members of the Assembly." (Cries : All).

In view of Sir William Vincent's assurance, Mr. Jannadas asked for the withdrawal of his motion, and he hoped that the Home Member would send to the Secretary of State the full report of the day's proceedings on this question. The Home Member agreed to the suggestion.

Criminal Law

On the motion of Sir William Vincent, the Assembly passed Bills repealing certain special enactments supplementing the ordinary Criminal Law and Part I of the Criminal Law Amendment Act, already passed in the Council of State, and designed to give effect to the unanimous recommendations of the Repressive Laws Committee which was presided over by Dr. Sapru

Standing Orders

Sir William Vincent moved that the report of the Select Committee on the Assembly's Standing Orders be taken into consideration. This Committee was presided over by Sir Frederick Whyte and had recommended several changes in the existing Orders in order to facilitate the transaction of business in the Assembly.

On the suggestion of Mr. McCarthy, the Select Committee recommended that a question which quoted anything from a newspaper or mentioned the name of a newspaper would be disallowed on that ground. The amendment was, after a heated debate, put to vote and negatived by 40 votes to 31. Thus the attempt to deprive the members from quoting the name of a newspaper in their questions was rejected by a majority of nine.

Another proposal which the Assembly carried was the addition of a new clause which the Select Committee had not contemplated. Sir V. Thackersey moved that if on a particular day two similar motions stood in the name of two members who had precedence in the order of priority may, with the permission of the President, authorise the other member who also had a similar motion to move that resolution.

The Council of State

DELHI—13TH FEBRUARY 1922

Passengers in Cattle Trucks

On Feb. 13th. Mr. Lallubhai Samaldas moved that steps be taken immediately to put a stop to the practice of Railways conveying human beings in cattle trucks or goods waggons.

Sir Maneckjee Dadabhoi supported the mover but in view of the difficulty of Railways to find a sufficient number of Waggons, he proposed an amendment that the words "as far as practical" be added. Several members supported the amendment.

The Commerce Member, too, in urging the members to accept the amendment, pointed out that in principle there was no difference of opinion at all between the mover and the Government. Railways did not themselves like this practice of conveying passengers in waggons, but the Council must recognise that the occasional use of waggons in special cases was unavoidable. Government, however, issued instructions to all Railways that even in special cases, where the objectionable practice existed, efforts must be made to avoid the evil complained of. It must not, at the same time, be forgotten that there was the danger of pilgrims being attacked with cholera unless the Railways sometimes resorted to the use of waggons for clearing the crowd until such time, at least, when the rolling stock, which fell short of their requirements during the War, had considerably increased in the years to come. In conclusion, Mr. Innes said: Every Railway administration is now considering the question in the light of the recommendations of the Railway Committee, and the Government could give these Companies the money as recommended by the Railway Finance Committee. 'I am sure', he said, 'the state of affairs will considerably improve. Therefore, I say, give us time and give us money and I promise that in 5 years time, there will be great improvement not only in this matter, but in respect of every other matter where the country has got complaints to make.'

The resolution as amended was then carried.

Military or Strategic Railway Lines

Lala Ram Saran Das moved that in future a separate revenue and expenditure account should be kept of the working of military or strategic railway lines, that the losses connected with the working of these Railways should be debited and the profits if any credited to the Military Department, and that the capital outlay on new lines or works of this nature should be debited to the Military accounts. He referred to the feeling of Indians in this matter, and urged that the Government of India should make known to the public the extent of gain or loss on Railways which are intended for strategic and military purposes. The capital outlay on some of the strategic lines in the Frontier had a deadening effect on the North-West Railway and the net loss on Military lines in 1919 was Rs.

84,71,000. Surely when so much money was being spent on non-commercial purposes it was no wonder that the North-West Railway could not ever pay their working expenses.

Sir Maneekjee Dadabhoy agreed with the first part of the resolution, and opposed the second part which, he said, raised a problem bristling with technical difficulties to decide which a commission must be appointed.

Mr. Cook, the Finance Secretary, speaking on behalf of the Government, pointed out that the cost on strategic lines was only Rs. 22 crores out of a total capital charge on State-owned lines of Rs. 503 crores, and explained that some of these strategic lines were really very remunerative. He agreed that a separate revenue and expenditure account should be kept on the working of Military or strategic railway lines, but it must be remembered that it was impossible to classify all expenditure strictly by the object which they were intended to serve. As regards the second part of the resolution, Mr. Cook observed that the question being very difficult it was not advisable for this Council to decide off-hand. There was already the Acworth Committee's report which stated that the whole of the Railway estimates should be separated from the other accounts in the budget. The Railway Finance Committee, which sat in Calcutta had already considered very important matters connected with the Acworth Committee's recommendations, and the Government now proposed to reconstitute that Committee in such a Central Advisory Committee on such large questions as were raised by the debate. The Committee would consist of a majority of non-officials from the members of both the House of Legislature, and Mr. Cook, therefore, advised the Council to be patient for a few weeks by which time the proposed the Committee would be appointed.

The resolution was put in two parts. The first portion was put and carried, and the remaining portion was pressed to a division and lost, 18 voting against and 16 for.

E. I. Railway Strike

Mr. Raza Ali moved for an adjournment of the House to discuss the grave situation that had arisen on account of the strike on a large section of the East Indian Railway and the threatened strike on other railways. The motion excited a keen debate, and after Mr. Innes, on behalf of the Government, had explained the causes of the strike, the motion was eventually talked out. Mr. Raza Ali explained how the strike which extended from Kalka to Mogulnara and south to Jabulpore, dislocating all traffic, had arisen because an Indian fireman, named Ramlal was wantonly assaulted by a European fireman, and the authorities callously disregarded the former's complaint. Such cowardly attacks on Indians by Europeans, though very common in past, both on passengers and member of the Railway staff, had to be put a stop to. Mr. Zulfiqar Ali Khan, in supporting the mover, gave an instance of bad treatment he himself had received at the hands of the Railway authorities. The upper House, however, was hardly the place for treating the issues raised by the question

fully and Mr. Innes readily satisfied the Council that such racial matters should not be ventilated.

Pilgrim Traffic to Mecca

Mr. Maricair moved that early steps be taken to open the port of Madras for the pilgrim traffic to Mecca and other places. He said that Muhammadans of the Madras presidency and the Straits had to suffer in inconvenience of going to Bombay for embarkation. It was unfortunate that the Madras Government had not done anything and so he urged the Govt. of India to accept the resolution which was put and carried.

The Legislative Assembly

DELHI—22ND FEBRUARY 1922

In reply to Mr. Miara, Sir Sydney Crookshank said that out of a staff of 155 men engaged in the Telegraph Department on wireless none was an Indian. The percentage was : Europeans 46 and domiciled Europeans 54, Indians nil.

In reply to a question by Mr. Miara, Sir Sydney Crookshank said that the Government had received an application from an Indian financier for licence to work wireless telegraph direct between India and England. The Government did not want to disclose at present the name of the applicant or his terms. The applicant had specified that Messrs. Marconi's Wireless Telegraph Company would erect and work ten wireless stations for him.

After question time, Sir William Vincent read, amidst applause, the Secretary of State's reply to the Assembly's vote of thanks given on the 18th instant on the eve of the censure debate in the House of Commons. Mr. Montagu's message, as read by the Home Member, ran thus :

"Please convey to the non-official members of the Legislative Assembly my grateful thanks for their inspiring message. I can only show my thanks for their confidence by continuing to do my best in the service of India."

Indian Limitation Act

Proceeding to Legislative business, the whole House passed, without discussion, a Bill amending the Indian Limitation Act and took into consideration the report of the Select Committee on the Bill to amend Provincial Causes Courts Act and Civil Procedure Code, in order to provide for the award of costs by way of compensation in respect of false and vexatious claims of defences in civil suits or proceedings. This Bill was first introduced in the Assembly on the 1st March last year, and as a result of the changes advocated by the Select Committee, it was withdrawn on the 25th January, 1922. The Bill was amended in the light of the report of the Select Committee and was re-introduced. It went to a second Select Committee, which had made some changes in it. The object of the Bill was to provide more effective means of meeting the great

evil arising from the institution of fraudulent and dishonest suits by empowering Courts to award compensatory costs in fraudulent suits. The bill was finally passed.

The Assembly then proceeded to discuss the Joint Committee's Report on the Delhi University Bill, and after some discussion of amendments proposed by Sir D. P. Sarbadhicary and Mr. Neogy passed the Bill finally.

The Council of State

DELHI—22ND FEBRUARY 1922

On the Council of State meeting on 22nd February, after questions had been answered, Mr. Sethna moved a resolution desiring to convey to Her Royal Highness Princess Mary the humble expression of the Council's sincere congratulations on the occasion of her marriage and of her future happiness.

Indian Judges of High Courts

Mr. Sethna moved that early steps should be taken to increase the number of Indian Judges of the High Courts and Chief Courts and also of Indian Judicial Commissioners to, at least, 50% of the total number of such appointments. He said that if in the premier service, the Indian Civil Service, they started with 33% and raised it by 1·5 per cent, if even in police service it was proposed by degrees to raise the percentage of Indians to 32% then, he contended, that in the higher Judicial Service they must have at least 50% Indians almost immediately. Taking together all the Judges of the High Courts, Chief Courts and Judicial Commissioners, it was found that there were now only 23 Indians as against 55 Europeans, the Indian percentage being only 29. This was certainly a most unsatisfactory condition and must be put an end to by materially curtailing and generally abandoning the recruitment of Judges from the Indian Civil Service, and also by steadily increasing the appointments from the Bar as was the practice in England. In the Dominions and in the United States, Civil Servants as a rule did not receive the necessary training, nor had they the same necessary qualification to become High Court or Chief Court Judges or Judicial Commissioners, and Mr. Sethna, therefore, contended that the Government must, in the near future, restrict their selection to the legal profession exclusively. The Indian element of the legal profession had so grown in numbers and efficiency that at almost all important centres the predominance of English Barristers was just disappearing. Efficiency would not be impaired. On the other hand, it would be enhanced by the appointment of Indian

Judges who, being familiar with local conditions, understood the witnesses and parties appearing before Courts better than the Civilians. With the growth of an increasing and powerful legal profession and the development of a comprehensive system of law judicial work had become so highly specialised and complex that the exclusion of Civilians from the Judiciary had become an imperative necessity. Mr. Sethna had the support of the House, only Sir Umar Hyat opposing.

Mr. O'Donnell assured the Council that consultations with the Local Governments and High Courts would be made as rapidly as possible and on the receipt of their opinions the Government of India would take the subject into consideration at the earliest possible moment. In view of this assurance Mr. Sethna withdrew his resolution.

Customs Duty on Road Metal.

Mr. Maricair moved that customs duty levied on road metal imported from Ceylon for the use of roads maintained by local bodies be cancelled in toto, or reduced to 50 per cent of the existing rate.

Mr. Lindsay, the Commerce Secretary, said that, while local bodies paid eleven per cent on road metal, there were considerably low rates of duty for other articles like girders, steam rollers, etc., which were also essential for the municipal administration. If the tax on road metal was cancelled or reduced to fifty per cent of the existing rate, there was no knowing where they were to stop, because Corporations, Port Trusts and such other bodies, who were equally in need of financial assistance, might ask for the removal of the tax on articles used by them and in that way the Customs revenue would be greatly affected. Mr. Lindsay, therefore, undertook to forward a copy of the resolution with the opinions of local bodies thereon to the Fiscal Commission which, according to the terms of reference, was entitled to examine the tariff policy of the Government of India.

Mr. Kale and Sir Dinshaw Wacha supported Mr. Lindsay's suggestion of referring the whole matter to the Fiscal Commission, and Mr. Maricair also agreed and withdrew his resolution.

Manuscript in British India.

Dr. Ganganath Jha moved that steps be taken for carrying on a systematic search for manuscripts in British India and for the acquisition of transcription of such as may be available. After Mr. Shafi had explained the Government attitude the motion was withdrawn.

Railway Management.

Mr. Sethna then moved that notice be given to the East Indian

and the Great Indian Peninsular Railway Companies to intimate that on the expiry of their present contracts the same will not be renewed, and that arrangements be taken in hand for the management of these Railways directly by the State after the expiry of the existing contracts.

He said that there were at present in India three railways which were both State-owned and State-managed, namely, the North-Western Railway, the Oudh and Rohilkand Railway and the East Bengal Railway. There were eight more which were practically owned by the State, but managed by Companies. These were East Indian, the Great Indian Peninsula, the Bombay-Baroda and Central India, the Bengal-Nagpur, the As-sam-Bengal and the Burma Railways. Of all the references made to the Acworth Committee the most important was in regard to the future management of these eight railways. Five members of that Committee, including the President, were in favour of State management, while the rest being interested persons were in favour of Company management. The Company management of State-owned Railways was not a private enterprise by any means. The total investment of the State-owned but Company-managed Railways was £261·5 millions and the subscribed share capital only £24·5 or only about nine per cent, the remainder being loan capital and Government capital invested either at fixed interest or on profit-sharing terms. Where else could they find a Company in which 91 per cent. of the share-holders depute their rights to the remaining nine per cent, and that was exactly what had happened in the case of these eight railways. The Council would thus see that a shareholder in these railways was not a shareholder nor the Company, and the same thing applied to the debenture-holder of an Indian Railway, for there were no trustees for debenture-holders having a charge on the Railway Company with the right to foreclose in case of non-payment of principal or interest. The Indian public opinion was that State-owned but Company-managed railways had been run against Indian interests. If they were run by the State, the Legislature would compel the State to purchase stores as far as possible in this country. They would see that the number of Indians were considerably larger, and many other advantages would follow, particularly the improvement in the comforts of third class passengers. He said that the East Indian Railway handled the bulk of coal trade in the country and was the best paying of all railways. Why should, he asked, the State give over the management of its best railway to others who worked more for their own benefit than for that of the State? It was time, therefore, that the Legislature decided without any hesitation about the State taking over the management of this railway, which was the most important trunk line of State railways. As regards the Great Indian Peninsula Railway Company, Mr. Sethna said that it had been unduly favoured at the expense of the Indian tax-payer. That Company did not bring in any new capital, but by an artificial system of capitalising a fraction of the annuity and the creation of capital stock was issued to the amount of one and three-fourth millions. The least that the Government could now do was to serve notice on both the Railways, the E. I. Railway and the G. I. P. Railway. Their contracts should not be renewed in 1924 and 1925 respectively.

In view of the assurance that this question of State management would be referred to a Central Advisory Council, Mr. Sethna withdrew his resolution, hoping that there would be no further extension of contracts to these Railways, and that before the existing contracts would expire the Advisory Council would have decided to their future management.

Indians in State Railways.

Mr. Kale then moved that early steps be taken to increase the number of Indians in the higher grades of service of State-managed railways and devise means to secure the adoption of a similar policy by Companies managing State Railways.

Mr. Innes said that, as far as State Railways were concerned, there was no necessity for the Government of India to lay down such a policy, because that was already their policy. But railways must be run on strictly commercial and business lines and efficiency must be their paramount consideration. The Government would try their best to see that all railways follow the policy of Indianisation of their higher services, subject to the condition that efficiency must be their paramount consideration in railway matters. The Government would readily accept the spirit of Mr. Kale's resolution. Mr. Innes then promised that, as soon as he would find time, he would personally look into the matter with a view to ascertain how much had been done and what more was possible in the desired direction and would also take the advice of the Central Advisory Council in this matter.

Mr. Kale accepted the assurance of Mr. Innes. The resolution was then put and carried.

Sterling Loans

Mr. Samaldas moved: "This Council recommends to the Governor-General-in-Council that he may be pleased to convey to the Secretary of State for India in Council the following expression of its opinion:—(a) That the conversion rights offered with the last 7 per cent sterling loan were unnecessary and that they needlessly increase the permanent debt of this country, (b) that in future loan issues the Secretary of State should consult and act up to the advice and recommendations of the Government of India, and (c) that all issues should be simultaneously offered for subscription in this country on the same terms."

The resolution was opposed on its merits by Mr. Cook. It was in effect, he said, a vote of censure on the Secretary of State when really there ought to be a vote of appreciation! There had been no issue of any Indian sterling loan and since then monetary and political conditions in the United Kingdom and in India had undergone fundamental changes. The London Market had been practically closed to the Dominion Governments all through the War and no one could say what view the money market would take about India. The whole set-back was thus obscure when the Secretary of State by issuing that loan raised India's credit. Every one knew full well that India must, for many years, be a very large borrower in sterling when they considered their capital liabilities and the demands on their expenditure. He did not think it was exaggeration to say that their future trade and industry were dependent to a considerable extent upon the amount of money India could raise in outside markets, especially in England. The loan proved that the London money market was still the largest in the world. If the loan had failed, it would have been a bigger set-back to the

London money market when the news of the arrest in India reached England some time ago. Mr. Cook, therefore, asked the House to consider the fact of India's financial credit having been raised in England on account of the loan, and deprecated any attempt at a practical vote of censure.

Mr. Samaldas declared that the Secretary of State and his adviser must be made aware of the feelings of the country in the matter. Mr. Cook read a letter to show that the rapid success of the loan had done Indian credit good. The resolution was put in three parts and carried. Mr. Cook pressed for a division in respect of the first part which was carried by 14 votes to 13.

The Legislative Assembly

DELHI—23RD FEBRUARY 1922

The Bardoli Decision

On the Assembly meeting on the 23rd February Sir Jamssetjee Jeejeebhoy asked :

(A) Has the attention of the Government been drawn to the resolution passed by the Working Committee of the Congress at Bardoli, (B) In view of these resolutions will the Government be pleased to state what their policy is in regard to the Non-Co-operation movement?

Sir William Vincent replied that the Government have seen and considered the resolutions referred to. They can discover in them no indication of any fundamental change in the attitude and policy of the Non-Co-operation party. Whilst Civil Disobedience is to be postponed for the present, there is no suggestion that it should be definitely abandoned as an item in their programme. On the contrary, the clear intention of the resolution is that this step should be merely suspended till the ground has been adequately prepared for its inauguration on a large scale. Though volunteer processions are temporarily to cease, the enrolment of volunteers is to continue and to be speeded up. The seditious propaganda which has been carried on throughout the country since the inception of the movement is in no way to be abated and the continuance of attempts to reduce Government servants from their allegiance is specifically provided for. The resolution thus points merely to a temporary change in the tactics of the party and not to any reversal or radical alteration of its aims which are directed as before to the subversion and paralysis of the lawfully constituted Government of the country. The Government of India desire to make it clear that unless and until there is a complete cessation of the illegal activities of the Non-Co-operation movement there will be no change in their own attitude. In regard thereto, I am to add that these activities have already produced a serious situation which may at any moment eventuate in bloodshed and disorder.

Industrial Scholarships.

Mr. Samarth moved his resolution recommending that not less than six lakhs of rupees be set apart every year from the central revenues to provide for the education and training abroad of Indian and Anglo-Indian youths in the following subjects :—Ship-building, ship-engineering, oceanography, wireless telegraphy, gunnery and other modern weapons of warfare, industrial chemistry in all its branches, theoretical and practical mining and metallurgy, geological surveying, electric, with special reference to hydro-electric, engineering and the application of electricity in agriculture, making and canning fruit preserves, condensed milk, milk products and concentrated foods, cottage industries, organising and working of distributive co-operative stores and co-operative

unions and such other subjects as the Assembly from time to time deems essential for the needs of India.

The mover emphasised that the educational problem of the country was a national one and it was necessary for modern national growth that education should be given to youths in all branches of science and everywhere. He instanced the educational scheme which was inaugurated in Japan and which in two years brought about such a national growth and upheaval and ultimately distinguished itself in the Russo-Japanese War. He, therefore, wanted that his countrymen should rise to that standard and asked Government to send suitable candidates to foreign countries and promote education in a manner a national Government would adopt. The speaker said that political domination was an evil and to depend for everything on foreign countries was equally an evil. He was one of those who would forget the past errors of Government and would see that in future things went as the best interests of India demanded. He did not believe in 'Ahimsa' and going centuries back to lead a life of simplicity. (laughter.) They belonged to the modern world and must try to learn what the world had to teach them.

Mr. Chatterjee, Secretary for Industries, expressed his surprise at Mr. Samarth, a champion of constitutional law, bringing forward a resolution which concerned provincial transferred subjects. The resolution could either be taken as touching educational or industrial development and both these subjects were provincial. However, Government was glad of having an opportunity to affirm the very keen interest it was taking in the industrial development of the country. Last year in Simla Ministers in charge of Industries and Directors of Industries came from all Provinces and sat in a Conference. The report of their meeting would show that popular Ministers were not only anxious for the continuance of the technical scholarship which the Government of India have been providing for the last 20 years, but desired to extend them wherever possible. The Provincial Governments were already doing their best. They knew their requirements and were accordingly sending students abroad for training. The Central Government should not step in when the Local Governments were discharging their obligations satisfactorily. But the main policy of Governments, both Provincial and Central, was to provide adequate facilities in India for the training of Indians in all those industries which are at present established in this country and which are likely to be established in the near future. Local Governments such as Bengal, United Provinces, Behar and Orissa and the Panjab had already taken steps in this direction. The Government of India was also starting institutions for training in mining, geology and leather manufacture. The policy of sending Indian students abroad was not the proper solution. Touching the subjects enumerated in the resolution Mr. Chatterjee said that in the case of several of these such as cottage industries, organisation and working of the distributive co-operative stores, there was absolutely no necessity for Indian students to go abroad for education in them. As for ship-building he was sure that the students getting education in this subject would be merely wasting their time and energy, because there being no ship-building industry in India their services could not be utilised. Concluding, Mr. Chatterjee said :— "The policy of giving technical scholarships has been followed by the Government of India for the last twenty years. It is still being pursued by Provincial Governments. It will, therefore, be superfluous on the part of this House to intervene in a matter which is manifestly the business of Ministers of Provinces and in which it will be unconstitutional on the part of the Government of India to spend money from central revenues. Moreover, the members are also aware of the present financial stringency. I hope Mr. Samarth will not press his resolution."

The President said that if, as pointed out by Mr. Chatterjee, the recom-

mentation of the resolution was unconstitutional he doubted whether the Assembly could proceed with its discussion.

Mr. Samarth challenged the accuracy of Mr. Chatterjee's statement.

Mr. Innes quoted the devolution rules to show that certain subjects were provincial.

Mr. Samarth counter-quoted also from the devolution rules to show that the subjects brought forward by him were either central or could be declared central by the Governor-in-Council as relating to research.

Mr. Innes said that Government had no intention of declaring them as such.

These quotations and counter-quotations continued for some minutes, but eventually both Mr. Innes and Mr. Samarth agreed that out of the subjects touched on in the resolution some were central and some provincial, while the remaining could belong to either. The discussion on the resolution was then continued.

Col. Gidney was glad that Mr. Samarth had included Anglo-Indian lads among Indians who would benefit by being sent overseas. He deprecated Government's attitude by always bringing in questions of provincial and central subjects. It was time that this was stopped. He reminded the House that the Japanese who were once backward were now one of the advanced nations of the world as a result of the wide technical education which the Japanese youth obtained abroad.

Sardar Gulab Singh urged that the lads who were sent overseas should, on their return if duly qualified, be employed by Government wherever possible. He moved an amendment to this effect which after some discussion was adopted by the House.

Mr. Kamat wanted to move an amendment which desired the addition of a clause demanding the establishment of a central technological institute in India. The President ruled the amendment out of order as extending the scope of the original resolution.

Mr. Kamat, then, speaking on the motion explained his point of view. He said that, while he favored Mr. Samarth's suggestion, he was convinced that the only, and, in fact, the real solution of the problem was the establishment of a well-equipped All-India Technological Institute where a large number of Indians would receive education in all technical subjects, so that they may take charge of industries in India and foster them on healthy lines. The institute would not cost more than one crore of rupees and if the Government favored its creation it could see it through within the next three or four years. When they were spending crores over buildings in new Delhi they should be able to set apart funds for an essential item in nation-building. Mr. Kamat added that his demand was supported by the Industrial Commission which had laid down that in future there must be started a central institute of the kind desired by him. The Government must look ahead and take a broader view of the problem.

Mr. Innes endorsed the views expressed by the previous official speaker. He pointed out that Industrial Commission had recommended that scholarships should not be awarded for industries not existing in this country. The resolution of Mr. Samarth contained such subjects, training in which would be of no use to Indian boys. He did not think the mover contemplated that in order to provide employment to Indians trained in shipbuilding the Government should launch upon a big and expensive programme of ship-building. He said the present policy of Government was to leave to provincial administrations award of scholarships according to their respective requirements. The Central Government would on its part confine its attention to starting technological institutes as far as possible.

Mr. Samarth, replying to the debate, asked the House not to be misled by the assurances of the Commerce Member. In order to start institutes they

would require crores of rupees and it would be long before these would come into being. In the meantime he wanted that some money should be spent for educating Indian lads who might get their education in time for taking charge of institutions which would spring up in the future. This was what Japan did and India should take lessons from that great eastern Power.

The resolution of Mr. Samarth, as amended by Sardar Gulab Singh's amendment, was then put and carried without division, Government opposing.

Military Officers and Civil Posts.

Mr. Ishwar Saran moved that the members of the Foreign and Political services as well as Military Officers should not be appointed to judicial or administrative posts in British India. He said his main objection was that men recruited and qualified for a particular service should not be called upon to do duties other than those for which they were eminently fitted. It was unsound and unwise to employ a soldier and diplomat of the Political Department to fill judicial and administrative office. Not only these officers could not well perform a work for which they were not specially qualified, but that in many cases the officers were called upon to hold offices which could better be filled by men drawing less salary and doing better work. The cadre of Foreign and Political Department and the Army list revealed a large number of highly paid officers filling civil (judicial and administrative) posts. His main object was that in the interest of efficiency and economy the Military and Foreign and Political departments should not employ expensive officers who were not required by those departments for their use. The Government must overhaul its machinery before it was too late.

Mr. Denys Bray, the Foreign Secretary, in strongly opposing the resolution said that it was only because officers of his department were very well-fitted for administrative and judicial posts that they were called upon to fill them ! Surely, it would not be just to restrict the scope of appointment to which an officer should rise by his ability. In the case of some Frontier districts the Deputy Commissioners were men of the Political Department, because if they were Civilians, then the Government shall have to appoint in addition to the Deputy Commissioners another Political Officer to look after political work. That would not be economical although the overburdened Political Officer would welcome such a separation. The mover's speech suggested that the Government was appointing to civil posts military officers who had finished their military service. The fact, however, was that although these officers started their careers as soldiers they were soon transferred to the Civil employment for which they were considered eminently qualified ! Mr. Bray thought that it was the fashion of the day to declare that the Government did not know its business. Some members were desirous that the North West Frontier Province should be re-amalgamated with the Punjab, and Balu-

chistan with Bombay. He said the question of the Frontier would soon be examined by a Committee, but the House should remember that if re-amalgamation took place they would be forced to recruit military men to the Punjab Commissions, because only military officers were fitted for administration.

Mr. Abdul Rahim (North West Frontier) strongly opposed the resolution and said that it was in the Foreign and Political Department that people gained knowledge and experience and if members of that Department were kept away from these administrative posts the Government would be deprived of efficient service.

Sir Sydney Cruickshank said that most of the engineering schemes in India were drafted and carried out by military engineers. Their valuable services were lent to Civil departments and it was out of question that these engineers who have given their best service should not be appointed to administrative posts. He, therefore, opposed the resolution tooth and nail from the point of view of military engineers, not on their behalf, but in the interests of this country which he himself had served as a military engineer !

Mr. Gulab Singh, while supporting the resolution, refrained from depreciating the services rendered by military officers in the past.

Sir Godfrey Fell opposed the attempt to preclude the employment of military officers in any administrative posts. He reminded the House that during the Great War many young men joined the Army ; not because they wanted a career in the Army, but simply in response to the patriotic call. On the conclusion of the War the Government was faced with these surplus young officers who were not required in the Army and numbered between two to three thousand. The Government was in duty bound to explore all avenues of employment in civil capacities for those men who would have joined similar posts if they had not joined the Army. It should not matter as to which department an officer belonged, but the material issue was his competence to undertake the job.

After two and half hours' discussion the House rejected Mr. Ishwar Saran's resolution by 33 votes to 18.

The Council of State

DELHI—23RD FEBRUARY 1922

On February 23rd the Council of State passed the Indian Lunacy Act and then took up the Income Tax and Super Tax Bill as passed by the Legislative Assembly. Some minor amendments were made and one important change which evoked a good deal of discussion. This was an amendment brought by Sir Arthur Froom that the exemption of assessments in case of life insurances

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should apply to adult male members and not to any male members.
This was passed (see Page 561).

Protest Against Mr. Churchill's Speech.

Mr. Samaldas moved: "This Council recommends to the Governor-General-in-Council that he should communicate to the Rt. Hon. the Secretary of State for India the strong feeling of resentment roused in this Council and in the country generally by the speech of the Rt. Hon. Winston Churchill delivered at the East African Dinner in London, and that in the opinion of this Council any further restriction on Indian immigration into East Africa or any differentiation against Indians as such with regard either to the ownership of land or the franchise or any extension of such differential treatment to Indians in the mandated territory of Tanganyika will be inconsistent with the principle underlying the resolution passed at the last Imperial Conference regarding the status of Indians in the Empire."

The President ruled the second part of the resolution out of order in view of the fact that an identical motion had been debated at great length in the September session of the Council, in Simla. He, therefore, allowed discussion only on the first part relating to the Rt. Hon. Winston Churchill's speech.

Mr. Sethna and Mr. Samaldas explained the difficulty of confining themselves to discussing only the first part of the resolution when the Rt. Hon. Winston Churchill's speech touched the point contained in the second part.

The President pointed out that this Council could not re-argue a resolution already passed, and adhered to his ruling.

Mr. Samaldas, in moving the first part of the resolution expressing the strong feeling of resentment aroused by the Rt. Hon. Winston Churchill's speech, wanted from Government information as to what action had been taken by them on the resolution passed in the September session. Mr. Churchill's speech, he said, had created resentment in this country as also in Africa and urged the Government of India not to adopt a tone of apology, but a tone of firmness in dealing to the Secretary of State the strength of feeling in India on a matter on which Indians were not prepared to compromise. He examined the electoral rules in East Africa and the language qualification required there, and remarked that all the requirements were put forward to prevent Indians from entering the Colony.

No less than eight non-official members including Sir Dinshaw Wacha, Mr. Sethna, Mr. Kharparde and Mr. Kale supported the resolution. They all recognised the efforts of the Government of India in the matter, but pointed out that if now the British Cabinet were to uphold what threatened to be the final view of the Colonial Office then it would be tantamount to an act of betrayal.

Mr. Sarma, on behalf of Government, accepted the resolution as there was no difference of opinion between them and the Council in this matter. He informed the House that the resolution passed in the Council in September was duly communicated to the Secretary of State as representing the unanimous views of the Council. The Council, Mr. Sarma observed, need not be afraid of Mr. Churchill's speech at the East African Banquet, because Mr. Montagu had stated that it did not represent the views of the British Cabinet. The Government of India did not mean to go back upon the policy of free emigration of Indians for settlement in Self-Governing Dominions and India could, therefore, justifiably look for fulfilment of the hopes and expectations that had been raised in this matter with regard to Crown Colonies and Protectorates in British possessions. The old policy under which Indians could freely migrate and settle down there also still remained in effect. Lord Chelmsford had taken a firm stand in declining to be a party to the rights of Indians being frittered away

and had insisted upon equal rights being given to all His Majesty's Indian subjects. Lord Reading had adhered to that attitude and Mr. Sarma, therefore, denied that there had been any weakening on the part of the Government of India in their advocacy of Indian rights. It might be that for the sake of harmony and peace and for the sake of solidarity of the Empire the India Office might have to give in one or two points but in essential matters of principle there would be no departure, because that would be not only immoral but suicidal. The revenue Member, therefore, advised patience, and asked the House to rest content in the conviction that Great Britain would never conscientiously do any injustice.

Mr. Samaldas briefly replied and the resolution was then carried.

Emigration Laws

Mr. Sarma next moved for the consideration of the Bill to amend the law relating to emigration as passed by the Legislative Assembly. He explained the salient features of the measure, and emphasised on the resolve of the Government to take the advice of the Legislature in future on all matters relating to emigration.

Mr. Maricair and Mr. Samaldas welcomed the Bill. Further consideration was then postponed.

DELHI—27TH FEBRUARY 1921

On Feb. 27th. the Council of State met to discuss non-official business. Lala Sukhbir Sinha moved a resolution recommending to the Governor General-in-Council to reduce substantially the contribution payable by the U. P. Government to the Central Government under devolution rule 17 in the year 1922-23 and to extinguish it as soon as possible within three years.

Mr. Kale moved an amendment to the effect that substantial reduction be made in the contribution payable by the United Provinces Government to the Central Government under Devolution Rule 17, as also in the contributions of other Provincial Governments who have suffered by the scheme of financial redistribution carried out under the Govt. of India Act, 1919, at as early a date as practicable.

Mr. Lloyd of Madras expressed the strong feelings of the Madras Presidency in this question, and said that his province was more hard hit by the Meston award than the United Provinces. The Madras Government lost about a crore of rupees revenue from excise on account of the Non-Co-operation movement, and it was apprehended that the loss would be even more under that head in the coming year. If, as the Finance Secretary stated, there would be a reduction in the case of Madras contribution to the extent of ninety-six lakhs, it might be some relief, but it would not be quite satisfactory.

Mr. Cook said that he would be quite prepared to accept the resolution if it was amended as to suit the wishes of the mover as well as Mr. Kale. He, therefore, proposed by way of an amendment to the whole resolution that the Provincial contribution, as fixed by

the Devolution Rules, should be reduced in the manner specified in these rules and finally extinguished at as early a date as possible.

Mr. Sukhbir Sinha : Then what about the claims of the United Provinces ?

Mr. Cook : I have already said that under the Devolution Rules the Madras, the United Provinces and the Punjab will get the first benefit.

Mr. Sinha said that he would now move an amendment to Mr. Cook's amendment with a view to bring the claims of the United Provinces to prominence. The President then asked him to produce the amendment.

Mr. Sinha, at this stage, began to draft his amendment in conjunction with an official of the Legislative Department. Meanwhile, the President put to vote Mr. Cook's amendment, which was carried. The resolution of Mr. Sinha, as amended by Mr. Cook, was then put to vote and carried, while Mr. Sukhbir Sinha was still drafting his proposed amendment.

The President then called upon Mr. Khaparde to move his resolution. Mr. Sukhbir Sinha, who was evidently surprised, asked the President : "What is to happen to my proposed amendment" ?

The President, amidst laughter, pointed out that he (Mr. Sinha) failed to bring it in time. The action of the President was discreditable.

Mr. Khaparde then moved the following resolution :

That this Council recommends to the Governor-General-in-Council the desirability of introducing the constitutional practice of voting an address after the speech from the Throne, which in India would be the speech of His Excellency the Viceroy opening a session of this Council and the Indian Legislative Assembly.

Sir Arthur Froom moved an amendment urging the desirability of introducing the constitutional practice of a general discussion on the topics raised by the Governor-General's speech at the opening of each session of Legislature in so far as those topics are open to discussion by the Council.

Sir William Vincent, in opposing pointed out that the position of the Legislature here differed entirely from that of Parliament. In Parliament the Address was not written by the King but the Cabinet was responsible. Here the Viceroy was in a dual capacity, and could speak on a subject beyond the cognisance of the House. The Viceroy could not come down to the Council to defend his speech, and there ought not to be a voting on his address in his absence. It was never the intention of the statute that the Viceroy's speech should be debated in the Council or in the Assembly. If it was, then it would render His Majesty's representative open to censure, and he would be prevented from delivering address to the legis-

lature. Moreover, the Standing Order prohibited any personal reflection on the Viceroy, and if there was to be a debate without reflections on his attitude and conduct, it was not proper for the Council to arrogate to itself a right to criticise the Viceroy for the action done by him in exercise of his statutory functions.

The amendment of Sir Arthur Froom was put and lost. The resolution of Mr. Khaparde was put and also lost by 23 votes to 7.

The Legislative Assembly

DELHI—27TH FEBRUARY 1922

Political Offenders

Sir William Vincent laid on the table the following statement which he had promised some days ago in reply to Mr. Neogy's question. The resolution referred to the general purport of suggestions made to the Local Governments by the Government of India with a view to securing uniformity in the treatment of persons convicted under the *Seditious Meetings Act* and the *Criminal Law Amendment Act, Part I* in different Provinces. The sentences awarded for similar offences in different Provinces and even in different courts in the same Province vary very greatly. The Government of India recognise that in some localities the severe sentences, passed on a few leaders and others who were arrested immediately after the Act of 1908 was brought into force, have had the effect of checking the activities of the Volunteers, if not altogether, at any rate for the time being. On the other hand, in some places many of the persons convicted have been released under the orders of the Local Government before they have served the full term to which they had been sentenced. The Government of India would be glad if Local Governments would consider whether it is not possible to have the sentences already passed carefully examined in order to secure some uniformity and also to ensure that where the penalties awarded are unduly severe they are reduced. Leaders who are responsible for the present condition of affairs and are, in fact, promoters of the campaign against the Government, of course, deserve more severe punishment than their immature and ignorant followers. It is, of course, within the competence of the Local Government to reduce or commute any sentence where such a course is desirable. The question of awarding sentences of rigorous imprisonment to many of these offenders also requires consideration. Although they recognise the danger that a universal rule of simple imprisonment for all persons convicted under the Act of 1908 and under the *Seditious Meetings Act* might tend to increase the number of those who court arrest, the Government of India believe that in many cases sentences of simple imprisonment or even fine would meet the requirements of justice. Where sentences of rigorous imprisonment are required, the Government of India think that many of the offenders of this character might not unreasonably receive a different treatment from that accorded to ordinary criminals in the matter of labor, food, clothing and other privileges. They believe that, in many Provinces, this principle is followed. As to persons under trial, it would probably meet all requirements if the Public Prosecutor was to make clear that in the case of minor offenders Government were anxious to vindicate the authority of the law rather than to see the offenders punished with excessive severity and where the accused are mere lads who have clearly been carried away by youthful enthusiasm, a fine or even a warning, where a promise of amendment is forthcoming, might be more suitable than a sentence of imprisonment, but where a fine is inflicted every effort should be made to realise it.

Income-tax and Super-tax

Sir Malcolm Hailey moved that the amendments made by the Council of State in the income-tax and super-tax Bill as passed in the Assembly be taken into consideration. The Finance Member said that out of the five amendments made by the Upper Chamber, four were minor and only one was important. The House agreed to the four minor proposals of the Council of State but hotly debated at length the important change by the Upper House in respect of a minor of Hindu joint family which the House had previously rejected. After about a dozen speakers had represented their view, the House, by a majority of three, voting being 36 against 33, rejected the amendment of the Upper House and stuck to its gun. This was the first time in the life of the new Legislature that a difference in the two Chambers had gone to this stage. The point of dispute was that the Assembly, when it first discussed the Bill, amended it so to ensure that among the exemptions in the case of life insurances any sum paid to effect an assurance of life of a minor member of Hindu undivided family shall be exempted. The Council of State introduced a change in this amendment by confirming the exemption to adult and not minor members of the Hindu family.

Mr. Rangachariar, Dr. Gour, Mr. Samarth, Mr. Subramanyam, Mr. Ramji and Mr. Chowdhuri Sahab-ud-din explained how the position originally taken up by this House was a sound one. In the case of Hindu undivided family they should not differentiate between adult and infant members, because the latter was as much entitled to the exemption as the former. Mr. Rangachariar and Dr. Gour blamed the Finance Member for having induced the Council to effect a change which this House had deliberately rejected.

Sir Malcolm Hailey, however, denied the charge. He said that the interest of the general taxpayer dictated the position taken up by the Upper House.

The House agreed to the first reading of the Bill to regulate the employment of child labour in Ports in British India. The object of the Bill is to give effect to the recommendations of the International Labour Convention. Under this measure the Local Governments shall make rules prohibiting employment at piers and jetties of children less than twelve years old to handle goods other than goods which can be transported by hand.

British Empire Exhibition

Mr. Innes next moved that necessary steps be taken and funds provided to enable India to participate on an adequate scale in the British Empire Exhibition to be held in London in 1924. He said that the idea was first conceived by the late Lord Strathcona in

1913, but the War prevented the scheme from coming to fruition. It was revived in 1919 and it was intended to hold it in 1921. But it was found that the date selected was too early. In 1920, however, affairs took a different turn and it was decided to postpone the date of the Exhibition and the whole scheme assumed a much more ambitious form. His Majesty the King Emperor had consented to become the patron of the Exhibition and H. R. H. the Prince of Wales to be the President of the General Committee. In response to an appeal from His Royal Highness that India and the Dominions should participate and give cordial co-operation, Sir William Meyer, the High Commissioner, at a luncheon, promised that India would do her best. Mr. Innes said that the arrangements were in charge of the Executive Council and India is represented on it by Mr. Montagu and the High Commissioner. The Commerce Member further stated that Provincial Governments had signified their intention that India should participate officially except Burma which expressed its inability to incur any expenditure. 'There is nothing of greater importance at the present juncture' loftily said Mr. Innes, 'than that we should do everything which lies in our power to uplift the status of India in the Empire and the world. India's reputation stands particularly high in the League of Nations. We hope soon to be declared as one of the eight chief Industrial States of the world. If we are not represented in the Exhibition, we lose an opportunity of proving our status both within and without the Empire. The expenditure for the purpose would be about Rs. 15 lakhs spread over three years.'

Mr. Rangachariar doubted the wisdom of agreeing to the huge sum of Rs. 15 lakhs when National departments like education were being starved and when participation in the Exhibition would do no good to India which cannot produce enough to meet outside demands. He wanted a Committee to examine the scheme before the House agreed to the huge grant.

Three speakers, Messrs. Kamat, Ramji and Subramanyam, expressed great surprise at Mr. Rangachariar's discordant note. They dilated upon the enormous advantages which every commercial man knows would accrue from the Exhibition.

Dr. Gour asked for an adjournment of the debate till some future date by which time the House would be in a better position to judge its ability to agree to the proposition. The House, thereupon, unanimously agreed upon the adjournment of the debate.

Traffic in Minor Girls.

Dr. Gour moved to enact a law prohibiting the wholesale traffic in minor girls for immoral purposes ostensibly intended as Devadasis, but in reality used for indiscriminate immoral purposes. He

briefly traced the history of the Devadasi custom that prevailed in many parts of India, particularly Southern India, and said that in many cases girls were purchased for dedicating to this purpose of immortality.

In the debate that followed, Mr. Rangachariar and Mr. Kamat thought Dr. Gour's statements much exaggerated. Dr. Sapru, on behalf of Government, counselled caution, as an attempt by Sir M. Dadabhoi to eradicate large scale prostitution before the War had ended in a fiasco. Eventually, however, Dr. Gour's resolution was carried by a majority.

DELHI—28TH FEBRUARY 1922

On the 28th. the Assembly met to conduct non-official business. After questions had been answered a very interesting question arose as to the power of the Assembly over the non-votable items of the Budget. Mr. McCarthy enquired if the Government had received the opinion of the Law officers of the Crown. Sir Malcolm Hailey replied in the affirmative and said that the latter's view was that it was not competent for the Governor-General to place on votes subjects which were by statute reserved from that vote. This statement raised an alarm and a volley of questions was directed on the Finance member from all sides of the House, which he adroitly evaded by giving vague replies.

Civil Procedure Code

Lala Girdhari Lal Agarwala moved that the Bill further to amend the Code of Civil Procedure in order to extend the privilege of appearing without *vakalatnama* or power of attorney to all legal practitioners of High Courts and and Chief Courts be taken into consideration. Dr. Sapru expressed sympathy with the object of the Bill, and pointed out that certain legal questions have to be cleared and that it would be better that they should agree to its circulation for eliciting public opinion. Mr. Agarwala agreed to the Law Member's suggestion which the House also adopted.

On the motion of Mr. Ramayya Pantulu the Assembly agreed to circulation for public opinion of his Bill which proposes to amend the Land Acquisition Act in order to provide against unlawful and vexatious acquisition of land.

Maulvi Abul Kassim next moved that his Bill which intends to give legal status to mukhtars be circulated for public opinion.

Dealing with Political Agitators.

Rao Bahadur T. Rangachariar asked for leave to introduce a Bill further to provide adequate safeguards against indiscriminate use of Sections 107 and 144 of Cr. Pr. Code in dealing with political

agitation. The operative clause of this Bill runs in all cases. When action is taken under these Sections against political agitators or public speakers or for dealing with or suppressing political and public meetings a report shall be made to the High Court within a week forwarding the record of the case, and it shall be competent to the High Court to alter or reverse such order, and the order shall be reserved whenever the Court is not satisfied that it was necessary to pass such an order for all or any of the purposes mentioned in sub-section (1).

Mr. Rangachariar said that of late there had been a number of cases under these Sections, and the abuse which the Government had made of these Sections made him feel that if they could be so used there was no necessity for the Rowlett Act. When he approved resort by the Government to ordinary law in dealing with objectionable political agitation he never contemplated that Section 144 would be so much misused as several glaring instances proved. Whatever the effect of their use, he did not think they should make wrong use to get the right result. If, as he proposed, authority was given to the High Court to revise the orders the local Executive officers would act with caution.

The statement of objects and reasons attached to the Bill explains his point of view. It says that it has recently come to public notice that Sections 107 and 144 of the Code of Criminal Procedure have been availed of all over the country in some cases in a very novel and ingenious way for dealing with public speakers, public meetings, Volunteer organisations, use of National flags, or Khaddar clothes and similar matters. It is highly doubtful whether such use of the Sections was at all contemplated by the Legislature, and owing to the fact that the Non-Co-operators, against whom this use was made, would not take steps to question their legality, the orders continue unchallenged. Having regard to the fact that in all these cases the executive and judicial functions are centred in the same individual, it is necessary to provide a safeguard against the mis-use of these Sections. It is, therefore, proposed that in such cases report should be made to the High Court, to whom power is given to alter or reverse the order.

Sir William Vincent in a long speech said that he knew that the minds of many had been exercised over the use of Section 144. Some believed that it had been misused although, as a matter of fact, it was used in order to avoid the more drastic provisions of the Seditious Meetings Act. However, the point now was that taking for granted that the evil existed he thought that no worse remedy could have been proposed than that brought forward by Mr. Rangachariar. He then explained how the executive officer who had

to maintain 'law and order' had more often to act without any real evidence than his personal fears or police report. He went on in this strain, sure that the House would not favour the motion.

Mr. Rangachariar's motion was then put and the House rejected it by 36 votes to 28.

Dr. Gour introduced his Bill to define the liability of Hindu Co-partners.

The Assembly also agreed to the first reading of Mr. Kamat's Bill which intended to specifically lay down that a policy of insurance effected by a husband who is either a Hindu, Muhammadan, Buddhist, Sikh or Jain expressed on the face of it to be a trust for his widow. This Bill, Mr. Kamat said, would introduce uniformity of law on the subject throughout India.

The last motion stood in the name of Mr. Sohanlal who asked leave to introduce his Bill to amend Section 375 of I. P. C., so as to raise in case of rape the age of consent of the girl concerned from twelve to fourteen years.

The motion was then put, and although there were some dissentient voices the House agreed to the introduction of the Bill.

Appeal to Elected Members

That night the Democratic Party issued the following statement. A regrettable feature of the present session of the Legislative Assembly at Delhi from the people's point of view has been the continued absence of about 40 elected members who have failed to put in their appearance at Delhi. Of the elected members who have attended, there are about a dozen who vote invariably with the Government. The result has been that several times during this session the elected members have been defeated by Government with the help of elected members mentioned above. This happened when the resolution for the abandonment of the policy of repression was debated, and again to-day when Mr. Rangachariar moved for leave to introduce a Bill to authorise High Courts to review cases in which political workers or public speakers are proceeded against under Section 107 or 114, Cr. P. C., Sir William Vincent strongly opposed the introduction and succeeded in defeating the motion owing to the absence of those elected members who represent more or less the popular side in matters that come up before the Assembly. It is an open secret that the Budget that will be introduced to-morrow will show a large heavy deficit, and it is apprehended that it will contain proposals of fresh taxation or large loans or both. It is much to be hoped that every member will realise the gravity of the situation and be found at his post on duty.

The Council of State

The same day the Upper House met when some legislative business was done. The Emigration Bill was passed, Merchant Shipping Act Amend. Bill was introduced and the Dacca Universities Bill as amended by the Assembly, which evoked some discussion and several amendments to its various clauses, was then passed.

The Financial Statement of the year 1922-23

DELHI—1ST MARCH 1922

In introducing the Budget for the years 1922-23 the Hon' Mr. W. M. Hailey, the Finance Member, said :—

It was my duty last year to place before this Assembly a Budget which exhibited a heavy deficit. I had to confront the House, at the very inception of its career, with one of the most difficult problems which can fall to the lot of a representative Assembly. The responsibility was heavy, for the world was watching to see how this, the youngest of Parliaments, would meet a test which might have strained the capacity of many an older institution. But those of us to whom the success of the reformed constitution had become an article of faith had no apprehensions; and we were justified of our confidence. The House took up its burden in a spirit which in the common judgment of every serious critic at once sealed its position among the representative institutions of the world. It would have indeed been a welcome task, if I could have come before you to-day with the confident assurance that your courage had met with the success it deserved: if we could have told you that the steps you took last year had re-habilitated our finances and closed the gap between the income and the expenditure of the nation. But Providence has seen otherwise, and this Assembly again has to face the heavy responsibility of dealing with a situation of great financial difficulty. It is no secret that the incomings of the current year have fallen far below our expectations; and as the House has probably already anticipated, the estimates for the coming year disclose a heavy excess of expenditure over revenue.

General Characteristics of the year.

I come now to the details of our position, and will deal first with the general conditions which have falsified our estimates of revenue for the present year. What were the circumstances in which we budgeted last March? The trade boom which followed the Armistice had definitely passed away and a heavy reaction had set in: but the future outlook was obscure and it was impossible to say what precise effect it would have on our revenues. We

budgeted in an atmosphere of trade depression, and our estimates allowed for a definite retardation in the normal growth which our revenues might otherwise have been expected to exhibit. But it was not possible to foresee that the depression of trade would reach such abysmal depths, not that its consequences would react so disastrously on our finances. I will take separately the internal and external factors. As to the former, the effects of the poor monsoon of 1920 continued to show themselves throughout the year 1924. Wheat rose to Rs. 6 a maund in January and to the almost unexampled figure of Rs. 8 and half per maund in December; Rangoon rice increased during the same period from Rs. 4 to Rs. 6-half, a maund. Not only did we have to continue the embargo on the export of wheat, but India became a heavy importer. Labour trouble at the collieries curtailed the raising of coal: we could only maintain the service of our railways by purchases of foreign coal at greatly increased expense and again of course with detrimental effect on our balance of trade. Thirdly, the conditions of the country have been such, partly economic and partly political, that there has been a complete stagnation of the ordinary activities of internal trade. I shall not dwell again now on the unfortunate series of events which led to the locking up of many million pounds' worth of imported goods owing to the inability or the failure of importers to take up their contracts. But whether this was due entirely to economic or partly to political causes, the event was typical of much of the history of internal trade throughout the year. Not even an unusually favourable monsoon in the autumn of 1921 has succeeded in solving a position due to the interaction of these double influences. Such were the internal conditions; I need not dwell at length on the external conditions. The prevailing depression in Russia and Central Europe, aggravated by famine conditions in the former country, continued to deprive India of the customers on whom in normal years she is wont to rely. How unstable was the basis on which our exports depended is shown by the history of our reviving trade with Germany. Exports to that country which averaged 1-half crores monthly during the period July-September collapsed with the catastrophic fall of the Mark of October and had fallen in December to only half a crore. Our exports, which had reached their height with 31 crores in March, 1920, had declined to 18 crores in March 1921 and reached their lowest point in June of last year with 16 crores. It is true that there was a recovery to 21 crores in December, but on the whole, greatly reduced as has been the scale of our imports, there is a total balance against us of 33 crores for the ten months ending January.

Current Year's Revenue.

Let me proceed at once to give in figures the total result of these unfavourable factors. The budget estimates as finally passed provided for a small surplus of 71 lakhs, the revenue including new taxation being estimated at 121 and one-third crores and the expenditure at just over 127 and half crores. We now estimate that the revenue will be 108 crores or 20 and one-third crores less. I will take only the principal items. Under "Customs" we expected 37 and three-fourth crores; we do not now look to realize more than 33 and half, or a falling off of 4 and one-fourth crores. But for a heavy revival of the import of sugar in the autumn our total receipts would be even worse; indeed sugar has come to our assistance to the extent of 6 & three-fourth crores out of the 3-half. In "Taxes on income" we shall probably have to pay some heavy refunds, owing to adjustment of provisional assessments made on last year's profits, and taking receipts and refunds together, the income will fall short by 90 lakhs of the budget figure of 18½ crores. "Salt" will be short by 80 or 90 lakhs of the expected figure of 7 crores, mainly owing to our inability to maintain a full supply of Northern Indian salt. "Opium" will be short by 70 lakhs on the expected total of 3.73 lakhs; clearly our customers in the Far East anticipate decreased consumption as the result of international action. I come now to our commercial departments. Naturally enough our "Railways" reflect the great stagnation of trade throughout the year, and in addition, the returns of the last few weeks have shown the effect of the recent strike. We expected to get gross receipts of 87 crores and shall have to content ourselves with 83. But the mischief does not end here, for far worse than the decline in gross traffic receipts is the increase in working expenses. Owing to short raisings of coal we have had to pay more for the Indian article, and to supplement the home supply by heavy purchases from abroad, and altogether the total excess of working expenses over the budget figure will be seven and one fourth crores. Allowing further for some falling off in the receipts from the sur-tax, the total worseness on the railway budget will be no less than 13 crores: and railways, after payment of interest charges will, for first the time for many years, be working at an actual loss, namely over 2½ crores. Finally, there are the "Posts and Telegraphs." The gross revenue is about 1½ crores less than anticipated, of which about 35 lakhs occur in the yield from the new rates approved by the Assembly last year. Here again, we have an instance of a large commercial department working at a deficit; the total loss to the general taxpayer on the combined department in the current year will be about 90 lakhs. The

combined effect of these items is to produce the falling off of 20 crores to which I have alluded.

Current year's expenditure

Then as to expenditure. As I have said, we expected to spend 127½ crores. But we shall have to spend 2 crores more on account of the increase in "interest charges" due to the larger proceeds of the rupee loan realized by us this year and the increased borrowings undertaken in London. Under "military expenditure," it will be remembered that we allowed for 62.20 crores of which 3 crores was attributable to Waziristan and one crore to expenditure on demobilization. During the year, however, operations in Waziristan continued, contrary to our expectations, on the extended scale set up in the concluding months of 1920-21, and altogether our expenditure on operations in that quarter have cost us six three-fourth crores. I do not propose to analyse here in detail the remaining figures of military expenditure, they still contain abnormal features such as, on the one side, arrear claims from the War Office, and on the other, unexpected recoveries of arrears from the same source. There have also been very heavy increases in the cost of foodstuffs. It will be sufficient to say that on the whole, in spite of the increase due to this factor, and to the heavy excess on Waziristan operations, we have managed by careful control to keep the excess down to two three-fourth crores. The total therefore stands at 65 crores against a budget of sixty-two and one-fourth crore. No new permanent liability of any considerable amount has been added to the military charges in India with the exception of an enhanced scale of pensions for the families of Indian soldiers and the expansion of the Territorial force.

Deficit of Current and Previous years.

Altogether then our expenditure is somewhat over fourteen and one fourth crores more than we expected; and the total deficit will amount to no less than 34 crores. If you carry your minds back to the history of the last three years, the House will realize that this is now the fourth deficit in succession. In 1918-19 it amounted to 6 crores; in 1919-20 mainly due to the Afghan War, the deficit was 24 crores; our final accounts of 1920-21, swollen by many adjustments of arrear expenditure on the Afghan war and the Great war, showed a deficit of 26 crores. Adding the 34 crores to which I have just referred, the total excess of expenditure over revenue in the four years comes to 90 crores, I am not ready to explain to the House the methods by which we have during the past four years provided the money necessary for carrying on the administration, nor to dwell on the implication, to be drawn from this continued

succession of deficits. I have still to deal with the revenue and expenditure of the coming year.

I.—Revenue

I do not know if there is any one here who would feel entitled to speak with confidence of the assumptions we shall make in estimating for budget purposes the character of the year on which we are about to enter. For myself, I can only indicate the main factors which have guided us. We have had a favourable monsoon and good winter rains; this in itself should bring down the price of food grains and help to rectify the balance of trade. On the other hand, the bazaar trade still has before it all the difficulties involved in the liquidation of the import contracts entered into two years ago, and the spectre of unrest looms before the trader, paralysing industry and benumbing enterprise. As for the outside world, the relative strength of India's position is of course largely due to her share of the world's staple requirements. It is true that overseas stocks of Indian goods are still large, but they have been much reduced during the course of the past year and foreign consumers have been forced to come to India to a considerable extent for their immediate necessities. Her raw jute and jute manufactures, though the period of boom has definitely passed, should still hold their own; tea and cotton have indeed recovered to an extent that we could hardly have anticipated last year. The total exports of India during December 1921 were higher than those of any month since September 1920. Although therefore stocks of India's commodities in India are high, the signs are not favourable. It is probable that the historian of the future, with a clearer perspective, will look on the year 1921 as the logical sequel to 1920. The latter year experienced the full force of the reaction from the feverish and unhealthy trade activity which followed the Armistice. This reaction showed itself in a collapse of the world's purchasing power, an unparalleled slump in prices and congestion of unsold and unsaleable stocks. In 1921 we had the beginning of the painful process of re-adjustment. We have already made some advance in that process, and the conditions of India are such that (if she can only maintain internal peace) she may reasonably expect to take an early share in the revival of trade.

Estimates of Revenue for Next Year

I admit that the factors are obscure in many directions of great importance and they certainly do not encourage optimism. But, on the whole we seem justified in framing our budget estimates on the assumption that there will be some slight improvement over the trade conditions which have existed during the current year. I will take the main heads in detail. Under CUSTOMS we assume that the imports of piecegoods will be somewhat better than those of current year, and also that, as a result of the withdrawal of the restrictions on the export of Burma rice, the revenue from that export duty will now become normal. We have also assumed a moderate improvement in the exports of jute; on the other hand, we cannot expect that the imports of sugar will be on anything like the scale of the current year, though we have felt justified in taking an estimate of 4 & three fourth crores as against the 6 & three fourth crores likely to be received from that source this year. On the whole, we are assuming a net Customs revenue of 36.42 crores, nearly 3 crores in excess of the revenue which we are likely to collect in the current year. Then as regards TAXES ON INCOME, we expect an increase in the net demand in most provinces with the exception of Bengal, but on the other hand the figures of the present year have been swollen by large arrear collections, and in the net, allowing for refunds in respect of collections on

provisional assessments, we are assuming a total revenue of 19·87 crores, which is about a crore less than our probable revenue in the current year. Under SALT we have adopted an estimate of slightly over seven crores, practically the same as that of the current year's budget. Our receipts from the sale of OPIUM are now mainly derived from the direct supplies we make to foreign and Colonial Governments on the contracts now in force, and, except when new contracts are entered into, do not vary very much from year to year; our revenue from the auction sales is, however, steadily dwindling and we do not expect more than half a crore from this source, making a total revenue, inclusive of the revenue from excise opium, of approximately 8 crores. This is about 60 lakhs less than the current year's budget and about the same as the revenue we expect to get in the current year.

Railway Revenue

In attempting to frame an estimate of net receipts from RAILWAYS we are met with two difficulties. In the first place it is difficult to say what will be the exact yield from the new goods rates which will be brought into force from April 1st next, replacing the present sur-tax. It is also difficult to say what the working expenses will amount to, as the coal market is in an abnormal state and a substantial increase or decrease in the cost of fuel will vitally affect the total. For GROSS TRAFFIC RECEIPTS we assume that the new goods rates will not yield less than 6 crores, and we think that an allowance of between 4 and 5 crores for normal growth in revenue is as much as can be justified. We think therefore that a fair estimate of gross receipts next year will be 93·5 crores. For WORKING EXPENSES we have taken the high figure of 68·5 crores on the assumption that fuel charges will remain high, and after making as much provision as possible for the replacements, renewals which, as everyone knows, are so badly needed on all our railways. On these estimates, the NET RECEIPTS next year will work out to 24·5 crores; after allowing for interest and other indirect charges which will amount to 26 crores, the railways will be working at a loss of over 1 crore. This is not the proper occasion for me to embark upon any discussion of the question how far the administration of our railway should, in any particular year, be carried on with the object of producing a profit to the general tax-payer. It is a matter regarding which one side of the question, and one side only, has been put forward with considerable force in the report of Sir William Acworth's Committee. The House is aware that the proposal made by that Committee to effect a complete separation between the railway and the general budget was duly considered by a Committee composed of members of the Legislature, whose report was published last December. That Committee decided that, whatever might be the theoretical merits of this question, practical considerations alone made it impossible to effect any such separation for the present. On one point, however, there can, I imagine, be no room for diversity of opinion, namely, that the railways must pay their own way.

Contemplated Increase in Passenger Fares

For this reason we propose to take measures to increase the traffic receipts. The estimates which I have just given already take account of a substantial increase in goods rates in substitution of the existing sur-tax. The only remaining course therefore is to effect a material increase in passenger fares. An increase averaging about 25 per cent will, we estimate, produce an extra 6 crores of revenue. This will of course more than make up the estimated loss on next year's working, but we shall have to continue for many years heavy expenditure, debitable to the revenue account, on replacements and renewals,

while our enlarged programme of capital expenditure will involve a cumulative increase of interest charges for some years to come; we, therefore, consider that we are justified in providing for some margin.

Loss on the Postal Department

The remaining important head on the revenue side is POSTS AND TELEGRAPHS. I must first of all explain what we have done as regards the separation of capital expenditure from expenditure charged to revenue. The House will remember that the question was examined last March on the initiative of Mr. Samarth, when it was decided to transfer approximately 1 crore from revenue to capital as representing expenditure which was intrinsically of a capital nature. That transfer was made more or less summarily; it was obviously desirable to keep on the right side, and not to debit to loan funds expenditure which was really of the nature of running expenses and would only have to be written back to revenue. We have subsequently made a more careful examination of the various items of expenditure, and as a result we have felt justified, in the revised estimates for the current year, debiting to capital a total amount of 128 lakhs. For the ensuing year, of the total estimated expenditure of 11 and one-fourth crores we find that we can justifiably take 1.45 lakhs to capital provisionally, pending of course the reconstitution of the post and telegraph accounts as a result of the investigation which has just been completed by the expert accountants who have been engaged on that work. With this division as between capital and revenue, we estimate that the expenditure chargeable to the revenue account next year will exceed the receipts by about 96 lakhs, after allowing for the debit of interest on the capital charge. This figure, however, does not include the cost of pensions on the one hand, and on the other credits for a certain concessional services rendered by the department to Indian States or foreign Governments. If we make adjustments on account of these items, there will be a further credit due to the department of about 17 lakhs, and, allowing for this, it may be said that during the current year the department has been working at a loss of about 90 lakhs, and that next year it will be working at a loss of about 80 lakhs. This has a very definite bearing on certain proposals that I shall shortly mention.

This closes my review of revenue for the coming year. Including the increase on passenger rates it should amount to sixteen and one-fourth crores; without that increase, it would come to 110.5 crores as against a revised estimate of 108 crores for the current year. I come now to the expenditure side.

II.—Expenditure

The first point I have to emphasise is that, as was the case a year ago, the demands of the various departments for the inclusion of items of new expenditure have been enormously curtailed; in effect, we have made provision for no new expenditure which cannot be demonstrated to be of imperative necessity or likely to be immediately remunerative. Such items of new expenditure as have passed through the meshes of the Finance Department's net have further had to undergo the fire of the Standing Finance Committee's scrutiny before being embodied in the detailed estimates which are about to be placed in Hon. Members' hands. One head where the effect of this policy has been particularly marked is CIVIL WORKS. The figure entered is 166 lakhs, and I must point out that this is only just sufficient to cover maintenance, repairs and establishment charges and the carrying on of works already in progress, and that it makes practically no provision at all for new construction. I do not think I need refer to the details of the estimates entered for INTEREST ON DEBT, SINKING FUNDS and so forth, for such charges may be regarded as obliga-

story. Hon. Members will notice in the detailed estimates a special expenditure of 60 lakhs under POLITICAL CHARGES; this is a tentative provision for a scheme for the better solution of political troubles on the frontier. It has not yet crystallised into a form which admits of the exhibition of full details. For the rest, the variations in civil expenditure are not large. There will be a saving from the cessation of CENSUS OPERATIONS, counterbalanced by certain additions to INCOME-TAX establishments, and a provision of 16 lakhs for various schemes of improvement at the SALT sources in Northern India which are of imperative necessity for the safeguarding of our salt revenue. Apart from the extra political charges and the other variations which I have just referred to, the civil heads show a small increase on the probable expenditure in the current year.

Estimated Rate of Exchange for Next Year

As regards EXCHANGE I may say at once that I see no indications, in the present conditions and outlook of our foreign trade, which would justify our assuming an average rate of exchange higher than 1s. 4d. during next year, and accordingly that is the figure upon which these estimates are based. In mentioning that estimated average rate I must again impress on the House that I am attempting no sort of prophesy regarding the future course of exchange, nor should anything that I say be taken as an indication of policy. It is of course unavoidable, for the purpose of the budget programme, to make some sort of assumption, however rough, as to the level at which exchange is likely to stand, taking the coming year as a whole. I have, as I have said, assumed for budget purposes a rate of 1s. 4d. The debit that will be necessary in our accounts, which are still maintained on a 2s. basis will, on this assumption, be about 15·5 crores, of which 10 crores will appear under the head "Exchange", the remaining 5·5 crores being debited in the estimates of the commercial departments.

No Provision for Reduction of Provincial Contribution

Finally, before I come to the military estimates, I must point out that we have made no provision for any reduction in the present contribution, payable to us by the Provincial Governments, the amount of which after allowing for the waiving of the Bengal contribution, is 9,20 lakhs. The House is aware that several provinces, notably, Madras, the United Provinces and the Punjab, have pressed us strongly for some reduction next year in the amount of their contributions. It is also a matter of common knowledge as many of the provinces are finding it difficult, if not impossible, to cover their expenditure, and have had to ask their legislature, to sanction various schemes of new taxation in order to help balance their budgets. I shall have something more to say regarding the position of the provinces before I sit down. For the present, I will only say that we have not provided for any reduction for the simple reason that, with the certainty of a deficit staring us in the face, it was quite impracticable to do so. But I need hardly say that the progressive reduction and extinction of these contributions must be regarded as a first charge upon any betterness that the financial position of the Central Government may show in future years.

Military Expenditure

I now take the final and heaviest figure, namely, Military expenditure. The established charges we estimate at 59,70 crores against 58,20 in the current year's Budget, Waziristan charges at 2,13 against 3,00, and demobilization expenditure at '35 against 1,00; the total is therefore 62·18 crores or approximately the same as in the Budget for the current year. The increase in established charges does not represent any addition to the strength of the post-

war Army as already laid down, except in the case of the Territorial Force, and is largely due to an item which lies entirely outside our own control, namely, the great increase in prices of provisions and other consumable stores. These are estimated to cost nearly 2 crores more than in the current year. Apart from the outlay necessary for the expansion of the Territorial Force and from a relatively small sum of money for the revision of the pay of certain classes of Indian personnel in the Army services whose remuneration has not yet been brought up to the standard obtaining in other quarters; no new demands for military outlay have been admitted. Not only so, but it would have been impossible to keep the established charges down to the figure I have given had we not effected retrenchment in a number of directions, notably in Military Works, the purchase of new equipment, and the strength of the reserve, and further by taking credit for an anticipated shortage of British troops. As regards Waziristan, I fear that the figure can be regarded as tentative only, for it is always difficult to forecast the exact effect of military operations of this nature. These operations may as in the present year lead again to an excess in the military budget. The 35 lakhs on demobilisation expenditure represents the sum which the Secretary of State has estimated will be required in 1922-23 for the payment of India's share of the compensatory gratuities to officers of the Indian Army who have been found surplus to the strength owing to reduction of establishment.

Resultant Deficit

The net result of these figures is that we expect an expenditure of 1142 & one-fourth crores against a revenue, on the basis of existing taxation and including the provincial contributions of 9,20 lakhs, which will amount to 1,10.5 crores, i.e., a deficit of thirty one and one fourth crores, which would be reduced to twenty five and three fourth crores by the contemplated increase in passenger fares mentioned by me.

How to meet the Deficit.

I now come to the hardest part of my task to-day, namely, to discuss what measures should be taken to meet the grave problem presented by an estimated deficit next year of about 31 and three-fourth crores. It is obvious that there are, in theory, three courses which can be adopted either separately or in combination. First, we can budget to reduce for a deficit, either the whole or part of the above amount; second, we can attempt to reduce our expenditure; and third, we can take steps to increase our revenues. The problem is so grave, and the issue at stake so large, being nothing less than the solvency of the country that I make no apology for examining in some details each of these three courses.

Budgeting for a Deficit

Would it be desirable, or would it even be possible, to leave the whole or the major part of this deficit uncovered? Now, so far as I have been able to ascertain, on one occasion only in the past has the Government of this country deliberately budgeted for a deficit. This was in 1915-16, the first budget of the war, when Sir

William Meyer budgeted for a deficit of about 4 crores. In introducing that budget, Sir William Meyer carefully explained the reasons which had led him to adopt that course. He emphasised that the Government would not think of proposing to budget for a deficit if the deficiency in revenue promised to be of a more or less abiding character. That, however, he held, was not the case on that occasion; it was then too early in the war to be sure that the excess of expenditure over revenue was anything more than temporary, and unless and until it could be shown that the gap between revenue and expenditure was likely to last for some time, it would not be justifiable to impose increased taxation, especially as the Government's cash balances could at that time be relied on to produce the necessary finance. For the rest, so far as my researches go, the Government of India have always endeavoured to meet the expenditure of each year from the revenues of that year, and although on occasions their estimates have been disturbed and deficits have actually accrued, they have, except on one occasion mentioned above, never deliberately contemplated that their expenditure should exceed their revenues. I do not think that there can be any doubt that this policy consistently followed in good years and bad, when the outlook was fair and when it was gloomy, had much to do with the sound financial position in which India found herself at the beginning of the war, and with the excellence of the credit of the State both within the country and abroad,

Deficit not Temporary.

Now, in considering the extent, if any, to which we should be justified in leaving this estimated deficit uncovered, there are two points of vital importance to which I must invite the careful attention of the House. In the first place, it is necessary to examine briefly the real nature of the current and next year's deficits. Can it be said that the present emergency is similar to that which Sir William Meyer had to face in preparing his budget for 1915-16? I hold that the answer to this must be in the negative. I do not think that it is possible to take up the position that these deficits are due to transient causes, that we can look for better times ahead, and that we should consequently be justified in leaving things as they are, in the hope that before long our revenues will once more have equalled our expenditure. I must say frankly that I see very little prospect of any such equilibrium being attained with a measurable period. In saying this I do not mean to imply that either the probable deficit of 34 crores in the current year or the estimated deficit of 31 & three-fourth crores this year is necessarily to be taken as a measure of the permanent gap between our expenditure and our revenue. I assume that, with the liquidation of our frontier

commitments, that portion of our military charges which are classified as "abnormal" will disappear. I also assume that our revenues would respond to any substantial revival in trade, when the day of that revival dawns, as assuredly dawn it must. But after making every possible assumption of this nature, I do not think it can be said that, if things are left as they are, equilibrium will be attainable within a measurable time. It has, moreover, to be remembered that we have a certain loss of revenue in front of us, in respect of the gradual abolition of the provincial contributions. I have not overlooked the fact that the stabilisation of the rupee at 2s. would relieve our revenues to the extent of about 15 crores a year, but the House is in as good a position as I am to judge whether we should be justified in placing any reliance on this recommendation. The problem, as I fear we must envisage it, is thus not one of carrying on until we have turned the corner, for the turning is nowhere visible.

How the Deficits have been Financed.

Secondly, it is necessary to examine briefly what a succession of deficits really means, and what are the results which it leads to. I will not embark on any theoretical discussion of financial ethics, but confine myself to actual facts. Including the deficit of the current year, during the past four years our expenditure (in using the word 'expenditure' I mean of course expenditure debitable to revenue, and not capital expenditure on such objects as Railways and Irrigation) has exceeded our revenue by a total amount of 90 crores. Where did this money come from? The short answer is that we have been living on credit. About 37 crores have been obtained by the issue of fiduciary currency notes, namely notes the only backing of which are our own I. O. U's. A further 47 crores will have been found by incurring floating debt in the shape of treasury bills, while the remaining 6 crores will have been taken from the proceeds of our regular annual borrowings. Our treasury bills consist of short terms bills (mostly for 3, 6 or 9 months) which we have so far managed to renew on maturity. But it is an open fact that we have only succeeded in doing this by virtue of the recent stagnation of trade and consequent plethora of bank money; it is very doubtful if on any real revival of trade we should be able to keep "floating" an amount of treasury bills on anything like the present scale. A treasury bill outstanding in the neighbourhood of 60, or even of 40, crores is, as I have more than once pointed out, a matter for great anxiety, seeing that at any time, with the appearance of other demands upon the discount market such as a revival of trade or an acute monetary position, our sales might not cover our maturities and we should then have no alternative, if we

were not to dishonor our bills, but to make a further large fiduciary issue of currency notes. During the past month or two we have, in fact, had a preliminary warning as to the insecurity of our position; a sudden tightening of money in Bombay led for a time to distinct embarrassment; in spite of our giving very much more favorable terms for our treasury bills we found great difficulty in meeting our requirements and were obliged as a temporary measure to re-issue a substantial amount of currency notes which we had cancelled during the preceding months. And, of course, the dependence of Government upon the money market, to supply it on credit with funds to meet the gap between incomings and outgoings, itself reacts strongly upon the supply of money available for trade, thus setting up a vicious circle. To escape from that circle is one of the most pressing problems before us.

Not practicable to continue Financing deficit on the present scale

What then is the inevitable conclusion to which these considerations lead? Putting aside all theoretical considerations of principle and of sound financial policy, the financing of a further deficit next year, of an amount anything like the thirty one and three fourth crores estimated, is simply not a practicable proposition. I should be much mistaken if we have not already reached the limit of safety. To attempt to increase our floating debt beyond the figure at which it is likely to stand on April 1st next would be to invite not only grave monetary stringency, but possibly even a severe crisis. To raid the Gold Standard Reserve, which has been built up for an entirely different purpose, would be merely putting off the evil day, and would be an expedient which could be adopted only as a last resort and even then purely as a temporary measure. To rely on the proceeds of our annual rupee or sterling loans to finance our deficits would, as I shall show later in my speech, be equally impracticable, seeing that we shall fully need the whole of these for financing our existing capital liabilities and productive expenditure on our railways. The inevitable result, in short, of any attempt to finance a deficit of this size would, in my opinion, be to force us to large issues of unbacked currency notes, and I am sure the House will agree with me that the effect of such inflation upon the general level of prices in this country and upon our general credit, would be very serious. My conclusion then is, and I state it with perfect confidence, that the problem before us is one that cannot be shelved or left to look after itself. It is a problem which has to be faced, and it is my duty to ask this House and country, whatever their opinion may be of the particular proposals that we are making, to join with us in facing it.

Reduction in Expenditure

How far can we reduce the deficit by cutting down our expenditure? I have already indicated the difficulties which we have encountered in regard to our largest spending department, the Army. I have told the House that as regards the civil department we have cut out all new expenditure which cannot be proved to be of imperative necessity. I do not claim that further reductions are impossible; as the House knows, we are committed to an enquiry into the steps necessary to effect retrenchment, even if that results in curtailing departmental activities. We have agreed to accede to the desire of the Assembly for the appointment of a Committee of retrenchment, and an announcement will shortly be made on the subject. But the field of civil expenditure over which that enquiry can range is small; it does not extend to more than 20 crores; and though retrenchment may and no doubt will be effected, it could have but a minor effect in restoring the balance. In any case, a Finance Member must frame his budget not on what he hopes may be effected in the future, but on the basis of the expenditure now actually being incurred.

Possibility of Transferring Expenditure from Revenue to Capital.

I have sometimes heard it asked why we cannot simplify to some extent our financial problem by taking to capital certain of the expenditure which is at present debitable to revenue, why, it is urged, should the present generation have to pay for expenditure on public works or other objects, which have a permanent or semi-permanent life, such as civil buildings, roads and bridges on the frontier, new barracks, etc., or, again, on stores and material used in our commercial departments, such as the Post and Telegraphs? This contention is, to a large extent, met by the fact that the present estimates make practically no provision at all for new civil buildings, that the construction of Delhi and capital expenditure on railways are already met from capital funds, and that we are already providing for the debit to loan funds of expenditure on store and material for our Telegraphs. It is, however, quite unnecessary to discuss this question at any length, for, in point of fact, whatever may be the division in our accounts as between capital and revenue, we are unfortunately already meeting a large proportion of our annual expenditure from borrowed funds. The figures which I have already given show that we have been doing this on a very large scale, far in excess of what by any stretch of reasoning could be described as real capital expenditure. To reduce our revenue deficit by a mere stroke of the pen would not in any way affect or cover up the actual position.

Necessity for increasing Postal Rates.

If I have carried the House with me so far, I have established two propositions. The first is a two fold one, namely, that the country cannot, if it has any regard for its credit or any thought for its future solvency, take refuge in the simple course of leaving the whole or even the greater part of this deficit uncovered, and further, that quite apart from such considerations, it would not be a practicable proposition to do so, even if we tried. Secondly, however successful our efforts may be in reducing our expenditure, and imperative though it is that we should make the attempt, it is out of the question to expect any relief from this source to be on such a substantial scale as materially to reduce the excess of expenditure over revenues. I submit therefore that there is no escape from the conclusion that it is imperative to take every possible step to increase our revenues. We can do this in two ways: firstly, by making the services, if possible, yield a profit; secondly, by increasing taxation. As regards the first method, I have already indicated that we propose to increase the railway receipts to the extent of about 6 crores by an increase in passenger fares. There remains the Post and Telegraph Department. It is not possible to increase the telegraph charges, which are already on the high side, and indeed that branch of the department more than pays its way. We are, however, as I have already shown, losing heavily on the combined Post and Telegraph Department. Last year we invited the legislature to agree to certain measures for increasing our postal receipts. The most important of these, namely, the doubling of the postcard rate and the raising of the minimum charge for inland letters from half an anna to one anna, were not accepted. The increases agreed to were by comparison of minor value and are only expected to produce 35 lakhs in the current year. Hon. Members will recollect the circumstances which led, by a compromise, to the adoption of a nine pie rate for letters exceeding half a tola in weight. I understand that the increased revenue from this source has been very small, not more than 10 lakhs; it has also led to many administrative difficulties in the matter of weighing letters and collecting overcharges so much so that I am told that the collection of overcharges is not worth the revenue obtained, and altogether the inconvenience that has been caused to the public has not been commensurate with the gain to the exchequer. We shall now ask the legislature to consider the position which it took up last year. I admit now, as I admitted then, the enormous advantage to a country of a cheap postal service nor do I underestimate in any way the strong sentimental attachment that must exist to the pice post-card. My reply to such considerations, now as then, is

financial necessity ; with the enormous increase in the cost of working that has occurred in recent years, the country cannot afford to maintain a postal service at the present cheap rates. We propose therefore to raise to half an anna the quarter anna postcard, and, secondly, to abolish the half-anna and 9 pie rates for letters, making the charges in future one anna for letters not exceeding 2 & half tolas in weight, and one anna for every additional 2 & half tolas. We estimate that the increased revenue obtainable from these measures will be 160 lakhs. I may point out that even after these changes, we shall still on the whole have the cheapest postal service in the world.

These two measures, namely, the increase in railway passenger fares and the increase in postal rates, will represent a total increased revenue of 760 lakhs, reducing our estimated deficit from 31 crores 76 lakhs to 24 crores 16 lakhs. I now turn to the further measures which we consider that the financial position of the country render imperative.

Proposals for Additional Taxation.

The problem of how to raise a large amount of additional revenue through increased taxation, with the minimum of hardship to the taxpayer and the minimum of disturbance to trade and commerce has, I need hardly say, been the subject of anxious consideration for some time. The burden which the country is now invited to shoulder is a heavy one ; we have done our best to distribute it as equitably as possible and to see that all classes of the community shall contribute, each according to its capacity. When additional revenues are required, the first head to which one's thought naturally turns is Customs. Here, we are at once confronted with the fact that a Fiscal Commission is now sitting, and if the needs of our revenues were not so urgent, we should have preferred to await the conclusion of that Commission's deliberations before proposing any further alteration of the tariff. Any such postponement is, however, impossible.

No pre-judging of Fiscal Commission's Report.

Whatever opinions may be held on the various important issues that the Fiscal Commission is now considering, and whatever decision may be ultimately arrived at on its report, there is no escaping the conclusion that the pressure of financial necessity must, in any case, inevitably involve the raising of our customs duties, purely for revenue producing purposes, irrespective of what the effect may be in the case of any particular tariff-head in the direction of protection, Imperial preference, or free trade. In framing our proposals, we

have, however, endeavoured to preserve to the greatest possible extent the general character of the present tariff and the general relation *inter se* of the various duties; in other words, we have endeavoured to limit our proposals in such a way as not to involve any important change of principle in the existing fiscal arrangements.

Details of Customs Proposals

(i) The vast majority of customs duties necessarily fall upon the consumer, and the general character of the proposals which I am about to mention is, therefore, that of a tax on consumption. We propose to raise to 15 per cent the import duty on all articles now assessed to 11 per cent. But since one of the most important articles, both of import and of consumption, is piece-goods, we propose that the consumption of piece goods in this country should be taxed by a further 4 per cent; that is to say we should raise the cotton excise duty from 3·5 to 7·5 per cent. The combined effect of these two measures is estimated to bring in an increased revenue of 545 lakhs. We have not, of course, overlooked the contentious history of the cotton excise duty, but after the account that I have given this morning of our financial necessities, and after what I have just said regarding the raising of the general *ad valorem* duty, I do not think that even the most malignant of our critics can accuse us of raising the cotton excise duty for the purpose of counterbalancing the import duty on foreign manufactures.

(ii) The present import duty on machinery, iron and steel, and railway material, is only 2·5 per cent. We propose to raise this to 10 per cent, yielding an extra revenue of 4,05 lakhs.

(iii) We consider that the trade in foreign sugar can, and should, bear an increase of duty, and we propose to raise the present import duty from 15 to 25 per cent, yielding an extra revenue of 2 crores.

(iv) We propose to raise the specific duty of 12 annas per gross boxes of matches to Rs. 1/8 per gross boxes, yielding an estimated additional revenue of 95 lakhs.

(v) We propose to impose an excise duty of 1 anna per gallon on kerosine produced in India, with a corresponding increase in the duty on imported petroleum, namely from one and half anna to two and half anna per gallon, the extra revenue from which measures will be 90 lakhs.

(vi) Last March we joined many Hon. Members in resisting in this House a proposal to remove yarn from the free list. We feel that the arguments then used must now yield to our financial necessities, and we propose to ask the House to agree to an import duty of 5 per cent. on imported yarn, yielding a revenue of half a crore.

(vi) The imports of articles which are assessed at the highest rate of tariff, namely, 20 per cent, have, during the greater part of this year, been very disappointing. I do not think, however, that this decrease can fairly be attributed to the new duty imposed last March, but rather to the very excessive imports, and consequent over-stocking, of the previous year. More recently, the imports of these articles have sensibly increased. We consider that the rate of duty can now be increased from 20 to 30 per cent, yielding an extra revenue of 75 lakhs.

(vii) As regards alcoholic liquors, the customs returns show that any attempt to increase the import duty on wines would almost certainly result in an actual loss of revenue, but as regards ale and beer, liquors and spirits, although we should have preferred to have waited another year before raising the duties further, we cannot afford to neglect any possible increase of revenue in the coming year, however small. Moreover, when we are proposing heavy additional taxation, affecting many necessities of life, we think it is all the more imperative to take from alcohol the maximum revenue possible. We accordingly propose an increase of approximately 20 per cent in the duties on all alcoholic liquors, except wines, yielding an extra revenue of 30 lakhs.

The actual increases proposed are as follows :—

		Present rate of duty.	Proposed rate.
Ale, beer, porter, cider and other fermented liquors, per gallon	...	... 6 half annas.	8 annas.
		Rs. A. P.	Rs. A. P.
Perfumed spirits, per gallon	...	... 30 0 0	36 0 0
Liqueurs, untested, per gallon	...	... 25 0 0	30 0 0
Liqueurs, tested, per proof gallon	...	... 18 12 0	21 14 0
All other spirits, per proof gallon	...	... 18 12 0	21 14 0
No change is proposed in the duty on denatured spirits.			

As regards tobacco, we do not think that for the present, having regard to the great decrease in consumption, any further increase in duty is possible without actual detriment to the revenue.

The total increased revenue obtainable next year from the increases in customs, which I have now mentioned, is estimated at 14,90 lakhs. Full details will be found in the Schedule to the

Finance Bill which I shall ask your permission, Sir, to introduce this morning. The extra revenue during the current month is likely to be 80 lakhs.

Income-tax and Super-tax.

These measures will still leave an uncovered deficit of about nine and one fourth crores. We feel it necessary to make a further call on the payers of income-tax and super-tax. We do not propose, however, to effect any alteration in the rate of tax payable by persons whose incomes do not exceed Rs. 30,000 a year. Indeed an increase in those rates, even by a substantial amount, would not be likely to produce any large increase in revenue, seeing that most of our income-tax revenue comes from assessments made at the highest rate. We propose to raise the rate on incomes between Rs. 30,000 and Rs. 40,000 from 14 to 15 pies, and on incomes above Rs. 40,000 from 16 to 18 pies. As regards super-tax, we propose to regard the higher rates, working up in the manner shown in the Schedule to the Finance Bill, to the highest rate of 6 annas as against the existing highest rate of 4 annas. The combined effect of these two measures is estimated to produce an extra revenue of two and one-fourth crores.

Finally, we consider that the present emergency is such that there is now no alternative but to increase the salt duty, which has always been regarded as our ultimate reserve. We propose to increase the duty from Rs. 1 4 to 2-8 a maund. The present consumption of salt in India works out at 6 seers per head of population. The increase of Rs. 1-4 per maund will therefore represent 3 annas per head per annum, or let us say 12 annas per annum for each household of four. It cannot surely be maintained that this will be felt appreciably by even the poorest classes. The extra revenue is estimated at 5 crores a year, but in the first year, owing to the existence of the credit system of sales, is not likely to exceed 430 lakhs. As in the case of the increased Customs duties the increase in the salt duty will come into force from to-day, and the extra revenue in the current month is estimated at 20 lakhs.

The total extra revenue obtainable from the measures which I have mentioned to-day is estimated at slightly over 29 crores next year and at 1 crore in the current year. The uncovered deficit will therefore be two and three fourth crores, together with the indeterminate liability to which I have already alluded in regard to Waziristan. Financial considerations by themselves would involve the imposition of a further taxation of at least 3 crores in order that we might fully establish equilibrium. After every careful consideration, however, we do not feel justified in asking the legislature to agree to the imposition of additional taxation beyond that which I have

already mentioned. But the existence of any uncovered deficit is, in present circumstances, a matter for anxiety ; and we can only hope that by a combination of strict economy in every direction, together with an expansion of our revenues by a steady revival in trade, we shall before long arrive at a position of equilibrium, for I must warn the House that unless equilibrium between revenue and expenditure is arrived at in the near future, the financial position and credit of this country will inevitably suffer a rapid deterioration.

Ways and Means

I have had a good deal to say to the House this morning regarding the state of the ordinary revenues of the country and the expenditure which is debitable to our revenue account. I must now turn to that part of our financial administration generally known as "Ways and Means." I know that some people are inclined to fight a little shy of ways and means matters because of the technicalities which are inseparable from the subject. But on this occasion I must invite Hon'ble Members to give their particular attention to the main facts regarding our ways and means operations in the current and coming years, for there is this year more than the usual connection between our revenue and our ways and means accounts. In the days of many of my more fortunate predecessors the existence of substantial revenue surpluses was frequently relied on to supply funds for financing our capital liabilities. There was much to be said for that cautious and conservative policy which aimed at limiting strictly the amount of our borrowing and thus undoubtedly helped to place India's financial credit in the high position which it occupied. There was, however, something to be said on the other side, and there must be many here who remember Mr. Gokhale's trenchant criticisms of continued large surpluses which should, he contended, have been devoted primarily to the relief of taxation. During more recent years, however, we have unfortunately seen the other side of the picture, and I have already portrayed something of the difficulties which my Department has encountered in finding the actual cash to finance a series of revenue deficits. Indeed, it is because we are now obviously approaching the end of our resources as regards financing deficits that we have felt obliged, quite apart from all other considerations, to ask the House to agree to drastic measures in order to attempt to bridge the gulf between our revenue and our expenditure. I have shown that during past four years we have had to find resources amounting to no less than 90 crores in respect of revenue deficits, including no less than 34 crores in the current year. In speaking of next year's deficit I have already emphasised the grave dangers involved

by our attempting to continue to live on our credit in order to meet current expenditure. The facts and figures which I shall now give the House will show how this liability has handicapped us in our ways and means operations, has forced us to borrow large sums at high rates of interest, and has prevented us from reducing the dangerously high amount of our floating debt.

I will first give the House a brief description of the other capital liabilities, besides this deficit, that we have had to meet, and of those which we expect to have to finance during the coming year.

(In crores of Rs.)

Budget for

1921-22 1922-23

LIABILITIES.

(i)	Drawings of and loans to provincial Governments.	...	...	12'2	9'8
(ii)	Railway capital outlay	...	...	23'0	30'0
(iii)	Deihi and Telegraph capital outlay	...	...	2'7	3'5
(iv)	Discharge of debt	...	...	19'2	7'9
(v)	Revenue deficit	...	...	33'0	2'7
(vi)	Net discharge of Treasury bills issued to the public	...	...	...	4'0
	Met as follows :—			90'1	57'9
(a)	Rupee loan	...	...	49'2	25'0
(b)	Sterling loan (converted at 1s. 1d.)	...	...	23'0	26'4
(c)	Increase in Treasury bills issued to the public	...	...	2'8	...
(d)	Credits from exchange	...	...	5'7	1'7
(e)	Arrear recoveries from Mesopotamian Government	...	...	1'0	...
(f)	Reduction of cash balances	...	...	2'1	1'1
(g)	Net receipts from Savings Bank deposits and Cash Certificates	...	...	2'3	3'1
(h)	Other items	...	...	3'0	'6
				90'1	57'9

This shows we have had to meet liabilities of 90 crores in the current year, and that more than one-third thereof has been due to the revenue deficit. The Provincial Governments too have had their difficulties and have had to rely to a large extent (not less than twelve and one-fourth crores) on us to finance their deficits and capital expenditure, either by actually borrowing from us or by

drawing on what is left of their balances with the Central Government. Altogether then, the financing of deficits, Central and Provincial combined, will account for over 45 crores, or more than half the total capital liabilities of the year. For the rest, nineteen and one-fourth crores is represented by the discharge of our War Bonds, and the remainder by capital outlay on Railways, Delhi, and Telegraphs. In order to meet these large liabilities we have had, in the first place, sundry assets and receipts, amounting to 15 crores, which I need not specify individually. To meet the remainder we have had to raise rupee and sterling loans to an extent considerably greater than we had budgeted for. It will be seen that in India and London combined we have raised no less than seventy two and one-fourth crores of rupees in new loans. That, of course, is a very large sum to raise, and we have only been able to do so partly because of the stagnation of trade in this country which made Government securities almost the only available means of investment, and partly because of distinctly favourable conditions in the London money market. Finally, as a result of our heavy liabilities to finance deficits, we have been quite unable to effect any reduction in our floating debt; on the contrary, there will, we anticipate, be an increase of about two and three-fourth crores in the amount of Treasury Bill, outstanding with the public at the end of the year.

As regards next year, we hope that if the House will second our efforts to increase our ordinary revenues we shall not have such a large sum to find in order to finance revenue deficits, though, apart from the Central Government's deficit of two and three-fourth crores, we have been warned that we may have to find nearly 10 crores, in the shape either of advances to Provincial Governments to enable them to carry on, or of drawings on their balances by such Provinces as will have any balances left. We have to find nearly 8 crores for the repayment of 1922 War Bonds, some 1.5 crores in respect of capital outlay on the Telegraph Department, and 2 crores for expenditure on the new capital at Delhi; for, this House has already decided that, if only in the interests of economy, it is desirable that this work should be completed as soon as possible, and 2 crores is the total amount which the engineers expect to be able to spend in the year. We are also budgeting for a reduction of 4 crores in the outstandings of treasury bills with the public. I have already said sufficient on this matter to indicate the imperative necessity of our not allowing our floating debt to remain at the present dangerously high level. There remains only the provision of 30 crores for capital expenditure on Railways, as against 23 crores that we expect to spend in the current year. My Hon'ble colleague in charge of the

Railway department will, I understand, bring before the House in the current session the recommendations made by the Committee of the two Houses of the Legislature which met in December last to consider the question of our Railway capital programme. I will not anticipate here the discussion which will no doubt then take place. All I will say is that, great as are the liabilities thrown upon our ways and means, resources in other directions, it would in my opinion be a short-sighted policy, and detrimental to the trade and prosperity of the country if we hesitated to take all possible steps to restore our railway lines to the condition demanded by the travelling public and the country's trade. This 30 crores will be practically all devoted to the improvement of existing lines; there is no provision for any new construction, except a small amount, under 2 crores, for the completion of new lines already in progress.

Apart from certain miscellaneous receipts, such as savings bank deposits, we must rely entirely upon our borrowing in order to finance this liability. For the purpose of these estimates, we have entered a rupee borrowing of Rs. 25 crores and a sterling borrowing of £17·5 millions, the latter figure being inclusive of about £2 millions which will be realised next year out of the sterling loan of £10 millions floated in December last. We thus anticipate next year a total borrowing of 51·5 crores, though we do not, of course, bind ourselves to distribute our borrowings as between India and England in the particular proportion I have mentioned; this must depend upon market conditions during the year. As the House is probably aware, it is by no means certain that the recent favourable conditions as regards sterling borrowing may continue throughout next year. Hitherto, Indian sterling stock has occupied a very high place among what are known as gilt-edged securities. For the first time for very many years, Indian securities recently had a sudden, but fortunately only temporary set-back in popularity owing to apprehensions felt in the United Kingdom regarding the internal situation in this country. Brief as was the period of depression, the incident nevertheless carries its own warning and I feel that it would be unsafe to count on a total borrowing, in rupees and sterling combined, larger than that for which we have taken credit. As regards rupee borrowing, there are, moreover, two considerations to be borne in mind. In the first place, we must remember that any appreciable revival in trade must inevitably lead to other channels of investment for those people who during the past two years have subscribed to our loans. Secondly, several of the Provincial Governments will themselves be entering the market, one of them at all events to a very substantial extent. Altogether, if we look ahead for the next few years, we have to remember that our

essential capital liabilities, namely, the provision of an adequate railway programme and the repayment of our short-term bonds, represent a total sum which will strain our borrowing capacity to the utmost, and every serious thinker will, I believe, agree that to rely to any substantial extent on our annual borrowings to finance large revenue deficits and to provide us with funds for carrying on the ordinary day to day administrations is out of the question.

So far I have dealt with our ways and means position taking our balances in India and England together. It is now necessary, however, that I should give some explanation of the position at our Home Treasury, for, as the House will see, this is likely to have an important bearing upon our general currency and exchange arrangements. In normal times, the usual procedure for keeping the Home Treasury in funds is for the Secretary of State to sell Council Bills upon India. No Council Bills have, however, been sold since 1919, the reason being that there has been no trade demand for them, while the Secretary of State has been able to keep himself in funds by recoveries made by him from the Home Government in respect of expenditure incurred by us on their behalf in India and Mesopotamia, this operating, in effect, as a remittance from us to the Secretary of State. In one financial year, namely, 1918-19 our recoveries from the Home Government were no less than £92 millions. Since then owing to the closing down of the Mesopotamian operations and the gradual disbandment of the additional troops that had been raised during the war for service overseas, these recoveries have greatly diminished, and during the current year we only expect the Secretary of State to recover about £25 millions, while during the next year we do not expect that he will cover more than £9·5 millions. His total liabilities, including the ordinary Home charges, together with about £18·5 millions, on account of purchases in Europe of railway material and stock, are expected to amount to about £52½ millions. There is, therefore, a substantial deficit in his resources. How is that to be supplied? I have already mentioned that he hopes to obtain about £17 and half millions from sterling borrowings. Assuming that he will succeed in raising this large amount, there will still remain a gap of £18 millions which will have to be covered by a transfer of funds from India to England. Now, there are only two possible ways of making this remittance; the Secretary of State must draw on us, either through the sterling reserve or by the sale of Council Bills. It is necessary that I say a few words about each of these methods of remitting funds to him.

As regards the former, namely, the transfer of our sterling reserves from England to India, there will be in England at the

beginning of the financial year about £five & three-fourth millions of the Paper Currency Reserve and £40 millions in the Gold Standard Reserve. Both of these are held mainly in the form of British Treasury Bills, which are readily convertible into cash. The Secretary of State can, therefore, to the extent of his requirements, draw on those reserves, provided, of course, (and the House will soon see that the proviso is an important one) that we earmark the necessary funds in India for credit to those reserves, the net result being a transfer of the reserves from England to India. In the case of the Paper Currency Reserve we should at this end cancel notes to an amount equivalent to the British Treasury Bills sold out by him, thus reducing the circulation to that extent. In the case of the Gold Standard Reserve we should have to earmark fund for credit to that reserve in India; we propose to do this by earmarking gold, i. e., we should transfer gold from the Paper Currency Reserve, which contains £24 millions, in sovereigns and gold bullion, to the Gold Standard Reserve. But, here again, in order to be able to make this transfer, we should of course have to make equivalent payments to the Currency Reserve and thus cancel notes to the necessary extent. So, whether the Secretary of State draws through the Paper Currency Reserve or through the Gold Standard Reserve, the net result is a cancellation of notes in this country. That is the operation generally known as "deflation," and I use the word for the reason that this is the actual effect of such drawing, and not because we consider that circumstances justify a policy of deflation on its own merits. But when one looks at this matter practically the question at once arises, whether we could in fact effect cancellation to the necessary extent. I must point out moreover that deflation in order to put the Secretary of State in funds does not represent the whole of the cancellation necessary, seeing that under the Paper Currency Act we are bound to apply the interest on our Paper Currency Reserve investments to the cancellation of notes issued against our *ad hoc* securities in India and, further, we have also undertaken to apply to the same purpose any excess in the Gold Standard Reserve and above the figure of £40 millions. The deflation in respect of these two items will amount next year to about 6 crores, and when added to the deflation necessary on our present estimates to put the Secretary of State in funds represent a total sum of 33 crores. I have only to mention this amount for the House to judge of the practicability of cancelling 33 crores of notes out of a total circulation of about 170 crores. I need not elaborate this point, for it is one which all bankers and financiers, and indeed most business men will at once appreciate. Every crore of notes cancelled by us means a withdrawal of a crore

of notes from the money markets, with a proportionate tightening of money. By cancelling notes at judiciously chosen opportunities we hope to be able to provide some portion of the Secretary of State's requirements in the coming year in this manner; and of course deflation, if carried out with caution and with due regard to the legitimate needs of trade, has, as the economists tell us, a valuable effect in reducing the general level of internal prices. But, as recent experience in other countries has shown, there is an obvious limit to which we can or should go in this direction, and we recognise fully the responsibility on us not to go too far, or to produce such a sudden or rapid stringency as might lead to a dangerously acute position.

If the House has followed me in my remarks regarding the possibilities of deflation, it will be clear to it that, to the extent to which our deflation falls short of the amount which we at present estimate as necessary to keep the Secretary of State in funds, it will be necessary for him to sell Council Bills. We have not entered any figure in the estimates for a remittance through Council bills, and have for the present shown the whole remittance as effected through the sterling reserves, but of course we hold ourselves free, should circumstances require and the state of the exchange market permit, to make remittance by Councils. Further, the facts and figures which I have given to the House must dispose of any apprehension that the business community in India may still have as regards the Secretary of State's unlimited powers to force up exchange to the two shillings level.

Exhaustion of Provincial Balance

Now that the Provincial Governments have almost complete financial autonomy, it would ordinarily be unnecessary for me to make any reference to their financial operations. What I have already said, however, regarding the difficulties in which the provinces now find themselves, and their effect upon our general ways and means operations, makes it desirable that I should make a few observations on the All-India position. A few facts will suffice to show the general position in the provinces. At the beginning of the current year the total provincial balances were 16'16 crores while at the end of next year the aggregate balances are expected to be only 5'5 crores, even after allowing both for the various loans which several provincial Governments have raised or will have raised during the two years, and also for the proceeds of extra taxation which several provinces are imposing for their own purposes. Further, there is not a single province which, according to our present information, is not budgeting for a deficit next year. I am not in a position to give full figures, because several provincial

budgets have not yet been presented, but the House may take it as reasonably correct when I say that, taking the provinces as a whole, their expenditure next year (omitting of course expenditure of a capital nature which will be defrayed from loan funds) will exceed their revenues by an amount of about 8 crores. Several of the provinces will, by the end of the current year, have already exhausted the balances which we keep for them as their bankers, and at least one of the major provinces will have to take a substantial advance from us merely in order to carry on.

Problem—an All-India one

The position of the Central Government's own finances, as I have endeavoured to explain to the House this morning, shows that there can be no question of our attempting to reduce the provincial contributions of nine and one fourth crores in the immediate future. To do so would merely increase our own uncovered deficit and the net result would be exactly the same whichever course we adopted, for, whether the all-India deficit be regarded as completely central, or partly central and partly provincial, it will have to be financed mainly on the credit of the Central Government. The problem, therefore, is really an all-India one. The great difficulties in which most of the provinces find themselves have led in many cases to requests in non-official quarters that what is known as the Meston Settlement should be revised. I am not quite sure how far such requests are put forward with the object of obtaining a different distribution of the total contributions between the provinces, or merely represents requests for the acceleration of the abolition of the contributions. I must, however, point out that any attempt to wipe the Meston Settlement off the state might have a very different result from what is sometimes anticipated. Lord Meston's Committee worked on our assumption that the deficit of the Central Government at the initiation of the Reforms, to be made good from contributions from the Provinces, would be 9.83 lakhs. Now, that figure was arrived at upon various assumptions, two of which were of great importance. The first was the 2 shilling rate of exchange; the second a military budget of 43 crores. The non-realisation of the first assumption means, on the present figures of our Home charges, a difference to us of no less than 15.5 crores a year. As for the military budget, although the strength of the Army is not greater (it is indeed somewhat less) than the pre-war strength, the cost is some 20 crores higher than the 43 crores we assumed. I would ask, therefore, those who desire to see that settlement upset, to consider whether an impartial committee, now arriving in India to effect a new settlement, might not take a very different view as to the amount of the contribu-

tions necessary from the provinces in order to enable the Central Government to discharge its fundamental duty of securing the country's defence, maintaining internal peace, and the service of the national debt.

Knowing, however, the difficulties which each Local Government has to face, we consider that the time has come when it is desirable for us to discuss the whole position with them, in order that we may exchange ideas and learn something of each other's difficulties. We propose, therefore, as soon as convenient, to invite the financial officials of each Local Government to a Conference in order to discuss the general position as regards the contributions, and at the same time to take the opportunity of examining the problems which each province has to face in the matter of financing capital outlay on irrigation and other schemes for which the provinces are now responsible.

Conclusion

And now, Sir, I can conclude my task. For us, for the Provincial Governments, and for the country at large the year has been a difficult and disappointing one; nor is there yet any clear promise of an early lifting of the clouds which veil the horizon of our finances. We can only address ourselves with what determination we can command to the task of finding a solution for the urgent problems which immediately confront us. One fact, I think, stands out in prominence; the overwhelming importance to India's trade and exchange of world factors over which we have no control. Any attempt to devise remedies as if India were a separate entity, divorced from world conditions, would be doomed to failure. A second fact is also clear; that the world at large, and we also with other countries, have underestimated the period of convalescence necessary for recovery from the maladies of the war. I need not labor the point, for wherever you look, whether towards Central Europe, or to the United Kingdom, or even to America, it is now clear that the problems are so stupendous that recovery cannot be other than slow. But the conclusion seems to me equally clear. If our troubles are due to world causes, we must move in line with the best thinkers of the outside worlds in seeking the remedy; and the one solution which they can indicate for the difficulties in which State finance now everywhere finds itself is the deliberate attempt at any cost and at any inconvenience to make revenue meet expenditure. India's financial credit has stood high with the world in the past; if she is to maintain this, and if she is to make good, what is of equal importance, her political credit with the world, she cannot afford to falter in applying the obvious and inevitable remedy which the situation demands.

The Indian Budget
1921-22

General Statement of the Revenue and Expenditure charged to

	Accounts, 1919-1920.	Revised Estimate, 1920-1921.	Budget Estimate, 1921-1922.
REVENUE—	R	R	R
Principal Heads of			
Revenue—Customs	21,46,69,935	32,37,80,000	37,73,28,000
Taxes on Income...	22,43,41,180	19,77,78,000	18,58,07,000
Salt	5,70,83,914	6,14,93,000	7,00,66,000
Opium	4,55,61,793	3,62,31,000	3,72,85,000
Other Heads ...	2,28,51,068	2,34,01,000	2,44,80,000
 TOTAL PRINCIPAL HEADS.	 56,45,07,890	 64,26,83,000	 69,49,66,000
Railways: Net Re- ceipts.	31,76,99,344	25,69,32,000	27,25,63,000
Irrigation: Net Re- ceipts.	4,77,574	4,23,000	4,24,000
Posts and Telegra- phs : Net Re- ceipts.	2,95,81,944	1,68,64,000	2,08,74,000
Debt Services ...	4,22,99,265	3,74,30,000	3,49,09,000
Civil Administra- tion.	62,16,507	75,08,000	76,35,000
Currency, Mint and Exchange.	5,71,29,369	2,86,06,000	49,73,000
Buildings, Roads, and Miscellaneous Public Improve- ments.	10,04,444	11,42,000	10,38,000
Miscellaneous ...	1,74,58,075	2,13,00,000	7,52,76,000
Military Receipts.	3,90,52,245	3,37,02,000	4,11,10,000
Contributions and Assignments to the Central Gov- ernment by pro- vincial Govs.	9,83,00,000	9,83,00,000	12,93,75,000
 TOTAL REVENUE	 1,17,37,26,657	 1,14,48,90,000	 1,28,31,43,000
DEFICIT.	20,81,89,830	20,45,79,000	...
 TOTAL.	 1,38,19,16,487	 1,34,94,69,000	 1,28,31,43,000

Revenue of the Central Government in India and in England.

	Accounts 1919-1920.	Revised Estimate 1920-1921.	Budget Estimate 1921-1922.
EXPENDITURE—			
Direct Demands on the Revenues.	3,50,93,737	3,90,86,000	4,93,51,000
Railways : Interest and Miscellaneous Charges.	17,95,97,900	21,13,94,000	23,17,13,000
Irrigation ...	18,18,368	11,97,000	11,76,000
Posts and Telegraphs Capital Account.	60,13,961	1,73,40,000	98,02,000
Debt Services ...	13,58,92,647	13,77,38,000	13,08,61,000
Civil Administration	8,00,04,809	9,18,96,000	8,43,18,000
Currency, Mint and Exchange.	96 50,031	3,77,66,000	4,18,80,000
Buildings, Roads and Miscellaneous Pub- lic Improvements.	1,49,89,301	1,78,15,000	1,51,11,000
Miscellaneous ...	3,99,99,390	4,52,34,000	4,24,37,000
Military Services ...	87,25,32,343	74,36,79,000	66,31,10,000
Miscellaneous adjust- ments between the Central and Pro- vincial Govts.	63,24,000	63,24,000	62,84,000
TOTAL EXPENDITURE CHARGED TO REVENUE	1,38,19,16,487	1,349,469,000,	127,604,3,000
SURPLUS ...	...	...	71,00,000
TOTAL ...	1,38,19,16,487	1,34,946,9000,	12,831,43000

The Finance Bill

To enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax, and to abolish the freight tax.

Whereas it is expedient to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax; it is hereby enacted as follows :

1. (1) This Act may be called the Indian Finance Act, 1922.

(2) It extends to the whole of British India including, except as regards section 4, the Sonthal Parganas, and except as regards section 4 and 6, British Baluchistan.

(3) Sections 2, 5 and 7 shall remain in force only up to the 31st day of March, 1923.

Enhancement of Salt Duty

2. With effect from the first day of March 1922, the provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor-General in Council to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if they imposed such duty at the rate of two rupees and eight annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule made under that section.

Amendment of Act VIII. of 1894

3. (1) With effect from the first day of March, 1922, for the Second Schedule to the Indian Tariff Act, 1894, the Schedule contained in the *First Schedule* to this Act shall be substituted.

(2) With effect from the same date, section 2 of the Indian Finance Act, 1921, and the *First Schedule* to that Act be repealed.

Amendment of Act II. of 1896

(2) With effect from the first day of March, 1922, the following amendment shall be made in the Cotton Duties Act, 1896, namely, in section 6, for the figure 3 & half, the figure 7 & half shall be substituted.

Amendment of Act VI. of 1898

5. With effect from the first day of April, 1922, the Schedule contained in the Second Schedule to this Act shall be inserted in the Indian Post Office Act, 1898, as the *First Schedule* to that Act.

Imposition of Excise Duty on Kerosene

6. With effect from the first day of March, 1922, the provisions of the Motor Spirit (Duties) Act, 1917, which provide for the levy and collection of an excise

duty on motor spirit, that is to say, all the provisions of that Act except section 6 thereof, shall apply also for the purpose of the levy and collection of an excise duty on kerosene as if references in the said Act to motor spirit (other than the reference in the second clause of section 2 thereof) were reference to kerosene :

Provided that the duty on kerosene shall be levied and collected at the rate of one anna on each imperial gallon.

EXPLANATION.—For the purpose of this section, "kerosene" means any inflammable hydro-carbon (including any mixture of hydro-carbons or any liquid containing hydro-carbons but excluding motor spirit which—

(a) is made from petroleum as defined in section 2 of the Indian Petroleum Act, 1899, and

(b) is intended to be, or is ordinarily, used for purposes of illumination.

Income-Tax and Super-Tax

7. (1) Income-tax for the year beginning on the first day of April, 1922, shall be charged at the rates specified in Part I of Third Schedule.

(2) The rates of super-tax for the year beginning on the first day of April, 1922, shall, for the purposes of section 55 of the Indian Income-tax Act, 1922, be those specified in Part II of the Third Schedule.

(3) For the purposes of the Third Schedule "total income" means total income as defined in clause (15) of section 2 of the Indian Income-tax Act, 1922.

Repeal of Act XIII of 1917

8. With effect from the first day of April 1922, the Freight (Railway and Inland Steam Vessel) Tax Act, 1917, shall be repealed.

It is hereby declared that it is expedient in the public interest that this Bill should have temporary effect under the provisions of the Provisional Collection of Taxes Act, 1918.

The Council of State

DELHI—1ST MARCH 1921

On March 1st the Council met for the presentation of the Budget. Before this some legislative business was transacted. On the motion of Mr. O'Donnell the House passed the Bill further to amend the Provincial Small Cause Courts Act, the Civil Procedure Code, 1908 (1) as passed by the Legislative Assembly. The House similarly agreed to the passing of the Bill to amend the Indian Limitation Act, 1908, as passed by the Assembly.

In view of the fact that the Assembly had not agreed to the amendment of the Council to clause 15 (2) of the Indian Income-Tax Bill substituting the words "any adult male member" for the words "any male member" regarding the exemption in respect of life insurance, Mr. Cook wanted to move the Council to agree to the Bill as amended by the Legislative Assembly. Mr. Cook said that although the Government still thought that the amendment carried in the Council of State, and which the Legislative Assembly refused to accept, was reasonable, right and proper, still on the grounds of expediency and in order to avoid the delay it was necessary that the House should accept the motion. The Council agreed to the motion.

Mr. Cook, the Finance Secretary, then presented the Budget.

Possession of Minor Children

The House then considered a Bill to control the possession of minor children by Sadhu Fakirs, religious mendicants, and certain other persons. It was intended to remove a standing grievance in the whole of the country by preventing minors, both Hindus and Muhammadans, from being induced to lead a life of mendicancy or commit crimes. The Bill concerned only boys and not girls, and required every person who possessed a minor to have him registered in the district from which he took the boy. The Bill was introduced, and it was ordered that it should be circulated for eliciting opinion.

The Legislative Assembly

In the Assembly, on March 1st Sir Malcolm Hailey presented the Budget in a clear reasoned speech, which the House listened to in pin-drop silence. It took the Finance Member one hour to explain the salient features of his lengthy statement. He then introduced the Finance Bill to cover taxation proposals arising out of his financial statement.

* The Secretary of the Assembly then read a message from the Secretary of the Council of State, announcing that the Upper

Chamber had agreed to the passage of the Delhi University and Emigration Bills passed in the Assembly.

Spreading Disaffection Among the Police

Sir William Vincent next moved that the Bill to provide penalty for spreading disaffection among the police be taken into consideration. The Home Member said that the measure was intended to punish, with imprisonment which may extend to two years or with fine which may extend to Rs. 1,000 or with both, any one who attempts to spread disaffection among the members of the Police force, and to induce members of the force to withhold services or to commit breaches of discipline. In view of the large number of amendments he was quite willing to send the Bill to a Committee proposed by Mr. Subramaniam for examination of the measure with care. The Bill, he said, was based entirely on the principles of the English Police Act and the dangers of disaffection among the Police were more acute and real in this country than in England. Indeed, members were aware that some of these efforts had been partially successful in some parts of the Provinces. He alluded to the number of cases where policemen had joined the non-co-operators and thrown up service under the Govt. At a recent session of the Congress Committee, arrangements were made for provision of funds to support those who leave Government service. That, he took, is an indication that further efforts would be made to seduce Police and soldiers from duty. Continuing, he said: "The security of this country depends very largely on the police. They are the first line of defence. They have been facing intimidation, brutal treatment at the hands of the mob and in many cases, murder. I hope that the House will realise the difficulties under which they work. It is intended not to prevent the subtle intimidation and subtle boycott, which it is difficult to prevent, but, indeed, to stop attempts to spread disaffection among the force that is the guardian of public tranquillity in this country. It is not intended by this Bill to interfere with the legitimate activities of Police Associations."

Mr. Subramanyam, in moving his proposition for the Select Committee, dispelled all doubts as to the attitude of the House towards the Bill. They were not out to weaken the hands of the Government in the maintenance of law and order, but wanted that, before the law was enacted, safeguards be provided against its abuse, and that it should be effective and easily workable.

Dr. Gour followed in a similar strain and pointed out the many risks which men would run even when giving *bona fide* advice to relatives serving in the Police.

Mr. Agnihotri opposed the Bill on the ground that there was no necessity for the protection contemplated by the measure. "A

large amount of the present agitation was due to Police oppression in the past, and if the Bill was passed, they would be only adding to the weapons of tyranny which would be too promptly abused by the officers. The motion for Select Committee was put and agreed to.

Super-tax and Income-tax

The Secretary of the Assembly then announced that a message from the Secretary of the Upper Chamber stated that the Council of State had that day agreed to the amendment of the Assembly in the Bill relating to the law consolidating super-tax and income-tax. This announcement was greeted with applause and laughter by the members of the Lower House, who had thus gained their view.

The Press Act

Sir William Vincent then presented the Report of the Select Committee on the Bill to repeal the Press Act.

DELHI—2ND MARCH 1922

Next day non-official resolutions were discussed. Sir Vithaldas Thackersay, moved :—

"This Assembly recommends to the Governor-General in Council that a Committee consisting of the members of the Indian Legislature be appointed to consider and report at an early date as to what steps should be taken by the Govt. of India to encourage the establishment of necessary industries, so that as large an amount as possible of Rs. 150 crores proposed to be set aside for the rehabilitation of railways during the next 5 years be spent in India."

In moving his resolution, Sir Vithaldas reminded the House of the decision of the Railway Finance Committee that for 5 years to come 150 crores be provided for Railway capital expenditure, and impressed on the members that active steps to encourage the establishment of industries and manufacturing of railways should be taken so that as large an amount as possible of Rs. 150 crores in five years or 300 crores in ten years be spent in India. The latest figures supplied by the Railway Board for the 5 years' programme contains such big items as Rs. 18 crores for coaching vehicles and Rs. 4 crores for bridges. These articles could be manufactured in India, and what was wanted was a bold policy by which guarantees could be given to manufacturers that their products would be taken for Government requirements, at least at a rate at which it would cost them to import foreign articles *plus* customs duty. This was not a new policy, because a guarantee to purchase 20 thousands tons of steel rails every year for 10 years was successfully given to the Tata Iron and Steel Ltd., when it was formed. There was no reason why a similar policy should not be followed now. If the

Government thought that the ring of wagon manufacturers in England and other countries were moving heaven and earth to kill the Indian industry and dump her, then a dumping law should be enacted. He thought that there was a possibility of spending Rs. 25 crores in this country on wagons alone. It was estimated that out of Rs. 150 crores Rs. 110 crores were to be spent abroad, but if this recommendation was carried out, he was sure that no less than Rs. 50 crores out of Rs. 110 crores could be spent in India, thus bringing prosperity to this land by stopping India's pauperism which must result from the continuous drain on her resources.

The Hon. Mr. Innes, on behalf of the Government, pointed out that the Government and the mover were at one in principle, but the question was how to tackle the problem of what might be called the Railway Industry. While Sir Vithaldas would favour the appointment of a Committee of members of the Legislature to suggest how to encourage the establishment of necessary industries, Government thought that the better course would be to appoint a small Committee to revise and put into shape the formulae or the rules in accordance with which the Stores Purchase Department, which would shortly come into being, should purchase railway materials as well as other materials required in India. The Stores Purchase Department must conduct its business in accordance with business principles. Otherwise, there might be an appalling waste of the taxpayers' money. The definite objective of that department would be the encouragement of Indian Industries, but there must be no sacrifice of business principles. The Commerce Member then explained the difficulties of getting all the Railway materials in India, that India must, for the next few years, content herself with the partial manufacture of steel and other materials in this country and import the remainder of her necessities from other countries and so on.

Mr. Subramanyam criticised the Fabian tactics of the Government, and regretted that the Commerce Member could not indicate as to when actually Government would take practical steps to encourage Indian industries, while Sir D. P. Sarbadhikari urged a change in the angle of vision which would open a new chapter of constructive work.

Mr. Iswar Saran wanted the Government to make a declaration of policy that, as far as industrial and other kindred matters were concerned, preference would always be given to firms residing in this country, whether owned by Hindus, Muhammadans, Christians or Europeans.

Mr. Chatterji, the Industries Secretary, on behalf of Govt. replied to Mr. Subramanyam's charge of Fabian tactics of the

Govt. and repudiated the belief prevalent in the country that it was the secret policy of the Govt. not to encourage Indian Industries to the detriment of British Industries for which India has been deliberately made the dumping ground.

Mr. H. Vishindas and Mr. Ginwalla very effectively replied to Mr. Chatterjee. Mr. Shahani then moved an amendment to the resolution by adding to it the words "and also to advise the Govt. of India in regard to the revision of Indian Store Rules."

Mr. Innes accepted the amendment of Mr. Shahani which, he said, covered the Government point of view. The original resolution of Sir Vithaldas with the addition of the words as proposed by Mr. Shahani was put and carried.

Reconstruction of Malabar

Mr. K. Mupil Nair, member representing Malabar, moved that a mixed agency of officials and non-officials be appointed to report on the distressed conditions in the parts affected by the Moplah outbreak and to suggest such relief as is necessary. He painted a gloomy picture of the devastation and destruction at the hands of the rebels. The number of refugees was appalling and there could be no two opinions as to the necessity of urgent measures for reconstruction. He had brought his proposals to know what steps the Government was taking, or going to take and to put forward his own suggestions. After Sir W. Vincent had replied that all necessary measures were being taken by the Madras Govt. and that there was no reason why the Central Govt. should interfere with the work of the local Government and incur expenditure for it when not asked, Mr. Nair withdrew his resolution.

Privy Council in India

Dr. Gour, on behalf of Mr. S. P. Bajpai who was not present, moved for the establishment of a Privy Council in India as recommended in the Montagu-Chelmsford report. The mover said that his intention was to constitute a Privy Council on colonial lines for the purpose of advising the Viceroy upon matters of policy and administration. The Government might constitute a Privy Council consisting of a few representatives of both the Houses of the Legislature, elected for their ability and capacity to thresh out questions of high administrative policy and not merely representatives of Indian States, or persons representing wealth and privileges. The constitution of such a Council would not entail any cost, and there would be no payment to the members of that body.

Mr. Rangachariar very strongly opposed the resolution, and asked: If you want a body composed of the members of both the Chambers of the Legislature to advise the Viceroy, then what are

we here for ? Are you going to surrender the functions and liberties of this Assembly to make recommendations to the Viceroy in order to become dubbed, I suppose, as Right Honorables ? The very arguments of the mover are against accepting the resolution. Mr. Rangachariar was followed by a large number of non-official members who were all unanimous in their opposition to the resolution.

Mr. Vishindas asked the House not to swallow that bait of Dr. Gour, and remarked that the Privy Council which was suggested by the mover would only consist of sycophants and title-hunters and would serve no useful purpose.

Dr. Gour briefly replied to the debate, but in the end withdrew his resolution.

DELHI—61H MARCH 1922

The Budget Debate

On March 6th the Assembly met for a general discussion of the budget. At the outset the President announced a communication from the Governor-General that they could discuss all items of the Budget including subjects under sub-section 3 of section 67 A of the Government of India Act.

Mr. Harichandrai Vishandas, of Karachi, opened the discussion by complimenting the Finance Member on his lucid presentment of India's financial situation, and remarked he could not take the same optimistic view of the future as Sir Malcolm Hailey did. He referred to the taxes on salt, kerosine, oil and cloth, and said that they constituted a heavy burden on the poor people. In his opinion the whole trouble arose out of the abnormal growth in Military expenditure. The definite non-possumus attitude which the Government hitherto adopted in regard to non-official proposals for curtailing Military expenditure should now be changed and the pruning knife must be applied thereto, especially as there were no Afghan or Russian bogey. In conclusion, Mr. Vishandas declared that in case of Military expenditure no case had been made out for the necessity of additional taxation, and urged that Railway Finance should be separated from General Finance as recommended by the Railway Finance Committee.

Mr. Rangachariar, characterised the Budget as the most depressing and as an eye-opener Budget. It was quite true that Indians had been put on the road to Swaraj, but they were asked to run an obstacle race. He characterised as criminal folly the process of under-estimating the expenditure and over-estimating the Revenue which had been observed during the last few years, and remarked that this process was responsible for the light-heartedness with which fresh