HISTORICAL ORIGIN OF THE SALT TAX

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1. Monopoly of Salt Manufacture in Bengal.
2. Madras Salt.
3. Imported Salt.
4. Balance between Manufactured and Imported Salt.
5. Comment of Lord Dalhousie.
6. Reference to Court of Directors.
7. Petitions of English Manufacturers.
8. Madras Native Association Petition.
9. British Indian Association Petition.
10. Bombay Cultivators' Representation.
11. Salt Tax Retained.

MEMORANDUM ON THE SALT TAX

Origin

1. Among the sources of the Company's revenues in British India, their monopoly in salt and opium was not the least important. Salt was prepared in Bengal by the Company's agent, and a duty of 5*s*. per maund (82 lbs.) was added to the cost of production before the article was placed on the market. A duty of 4*s*. per maund was raised on salt obtained from mines in the Panjab; while salt prepared in Native States had to pay a duty of 4*s*. or 5*s*. before it passed into British territory.

2. Madras salt was formed by solar evaporation on the margin of the sea, and was cheaper than Bengal salt; and the Company derived a considerable revenue by selling it

at 2*s.* the maund. In Bombay, the Government permitted manufacturers to remove the salt from the pans on payment of a duty of 1*s.* 6*d.* the maund.

3. Salt imported into India from England or other countries paid a duty of 5*s.* or 6*s.* the maund, so that the importers might not undersell the duty-paying Indian salt.

4. The East India Company endeavored to hold the balance evenly between the salt manufactured by them in India and the salt imported from Great Britain. The House of Commons had dictated this policy by a resolution of their Select Committee in 1836. But in working out the principle the Company went too far and gave an undue advantage to the British manufacturer.

5. Lord Dalhousie, Governor-General of India, in a Minute dated September 11th, 1852, said: "Under the existing system no injustice is done to the importer of salt, but that great and growing injustice is inflicted on the native producer of the article."

6. A reference was accordingly made (Sept. 17th, 1852) to the Court of Directors, explaining the injustice done to the Indian salt, and demanding sanction for redress.

7. The merchants and others of the City of Manchester petitioned the House of Commons "that a constant supply ot salt, of good quality and at a reasonable price, is of the utmost importance to the people of India". The duty of £ 7 per ton imposed in India on imported salt was not less than 2000 per cent upon the value of the article, and was "highly oppressive towards the native population of India". They prayed that British salt might be imported to India either free or on payment of a nominal duty.

Similar petitions were presented from Northwich, Droitwich, Gloucester, S. Helens, Wisford, Worcester, and Liverpool. Bristol said: "The price to the consumer in England is but about 30*s.* per ton instead of £ 21 per ton as in India; and if it were necessary to abolish the salt tax at home some years since, it appears to your petitioners that the millions of Her Majesty's subjects of India have a much stronger claim for its remission in their case, wretchedly poor as they are, and essentially necessary as salt is to their daily sustenance and to the prevention of disease in such a climate."

8. The Madras Native Association showed that " in the year 1806, the Government established an agency for the control and management of the salt department, the first consequence of which was the doubling of the price".

9. The British Indian Association of Calcutta petitioned that " as salt is the necessary of life, the duty on salt should be entirely taken off as soon as possible".

10. The Bombay cultivators (Nov. 26, 1852) urged that the produce of their fields supplied them with food enough for eight months in the year; that during the remaining four months they subsisted on vegetables, " which they season with chillies and salt when the latter was free from duty; but when it was made subject to duty, they were obliged to forego even this poor comfort".

11. It is needless to add that all memorials and agitation against the Salt Tax failed. The salt revenue was not given up.

(*Economic History of India. Victorian Age.*
Romesh Dutt, C. I. E.)

MEMORANDUM ON PROPOSED IMPOSITION OF SALT TAX

The Story of the Rejection of the Proposal of 1922

1. Terms of the Proposal.

2. Budget Estimates for 1922-23, with Explanatory Memorandum of Under-Secretary of State.

3. Sir Malcolm Hailey, Finance Member, Indian Legislative Council, on Revenue and Expenditure.

MEMORANDUM ON THE PROPOSED IMPOSITION OF AN INCREASE IN THE SALT TAX

1. The original proposal was made by Sir Malcolm Hailey (Finance Member of the Legislative Assembly) on Wednesday, 1st March, 1922, in the following words :

> 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 Re. 1-4 to Rs. 2-8 a maund. The present consumption of salt in India works out at about six seers per head of population. The increase of Re. 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 poorer 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 4·30 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.

(East India Budget, 1922-23, p. 12.)

2. The Budget Estimate for 1922-23 was as follows:

Revenue	1,39,58,44,000	Rupees
Expenditure	1,42,30,00,000	"
Deficit	2,71,56,000	"

In the Explanatory Memorandum (Cmd. 1766) by the Under-Secretary of State for India the following explanation is given:

In framing the Budget for 1922-23, the Government of India estimated that the expenditure during the year, chargeable to Central Revenues, would be Rs. 142¼ crores, as against a revenue (on the basis of existing taxation, and including the Provincial Contributions) amounting to 110½ crores. Towards meeting this deficiency, it was proposed (I) with a view to ensuring that the Railway system and the Postal and Telegraph Service should not be run at a loss, to effect an increase in passenger fares, estimated to yield Rs. 6 crores in the year, and to introduce higher postal charges estimated to yield Rs. 1·60 lakhs. In addition, (II) additional taxation was proposed, with an estimated yield of Rs. 21¾ crores, leaving an uncovered deficit of Rs. 2¾ crores.

3. Sir Malcolm Hailey, in dealing with the realised revenue and expenditure of 1921-22, said the Budget estimates provided for a small surplus of 71 lakhs; the revenue including new taxation being estimated at 128½ crores and the expenditure at just over 127½ crores. We now estimate a revenue of 108 crores or 20·3 crores less.

4. As to expenditure: "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 realised by us this year, and the increased borrowings undertaken in London."

5. "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 demobilisation. 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 6 ¾ crores . . . . . The total, therefore, stands at 65 crores against a Budget of 62 ¼."

6. "There remains one head of great importance, the loss by exchange. In the case of our commercial departments the difference in exchange between 2*s.* (the rate at which our accounts are kept) and the actual rate is adjusted under the departmental head concerned, and that accounts for a certain proportion of the excess expenditure under Railways and Telegraphs. In the case of all other departments this adjustment for exchange is lumped together under the one head, Exchange. . . . . The total cost to us under the head of Exchange must be taken at 5 ¾ crores."

7. "Altogether, then, our expenditure is somewhat over 14 ¾ 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 realise 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."

8. For 1922-23, he said : "We expect an expenditure of 142 ¼ crores against a revenue, on the basis of existing taxation and including the Provincial Contributions of 920 lakhs, which will amount to 110 ½ crores, *i. e.*, a deficit of 31 ¾

crores, which would be reduced by 25 ¾ crores by the contemplated increase in passenger fares."

9. To meet this deficit he proposed:

(1) To raise the import duty from 11% to 15%
(2) To increase cotton excise duty from 3 ½% to 7 ½%
(3) To raise the duty on machinery, iron and steel and railway material, from 2 ½% to 10%.
(4) Foreign sugar-cane, 15% to 25%.
(5) Matches, 12 annas per gross to Re. 1-8.
(6) A new duty of 5% on imported yarn.
(7) High duty of 20% increased to 30%
(8) Increased duties on alcoholic liquors.
(9) Increase in income and super-tax.
(10) Double the Salt tax.

10. "The uncovered deficit will therefore be 2 ¾ crores, together with the indeterminate liability.........in regard to Waziristan."

11. In the discussion on the Budget, the following extracts show the trend of the criticism:

Mr. HARCHANDRAI VISHINDAS (Sindh: Non-Muhammadan Rural): "I have very strong reasons for urging that there is no occasion for the country to incur the military expenditure that the Government is incurring. Before the War, there was some necessity for the maintenance of a large army. We know that there was the constant danger of foreign aggression. The Russian bogey always stared us in the face, and the people, willingly or unwillingly, submitted to being heavily taxed in order to secure the safety of the country. But that Russian bogey does not exist now."

12. "Then we have the Waziristan question, and although the operations in Waziristan do not cover the whole field of military expenditure, I think the best course is to leave Waziristan alone. I do not think that our experience has taught us that we gain anything at all by the pursuance of this 'Forward' policy. This is very old history. I have

some recollection of the second Afghan War in 1878. At the conclusion of the War, the Government were only too anxious to get rid of the whole business of meddling with Afghanistan. . . . . And that has always been the result at which this Forward policy has arrived, and it ought to be abandoned for ever and the heavy military expenditure thereon saved. I do not think it is justifiable to retain Waziristan, or to carry on any operation in Waziristan, because the gain is very little and the cost is so heavy."

13. "In 1899-1900, out of a total revenue of 39·760 crores, military expenditure amounted to 15·375 crores. As against that, in 1919, out of a revenue of 86·324 crores, the military expenditure was 44·480. So that while the net increase in revenue was 46 odd crores or 117 per cent, the increase in military expenditure was 29 crores or 190 per cent. Now, if we consider the ratio of military expenditure to revenue, we find that in 1899-1900 it was 38·66 per cent; whereas in 1919-20 it was 51·52 per cent. This shows that the ratio has been steadily increasing. Now let us take the ratio of military expenditure to net taxation and we get these figures. In 1899-1900 the military expenditure was 15·375 crores, while taxation was 18.174 crores, the resulting ratio being 84·60 per cent. In 1919-20 military expenditure was 44·480 crores and taxation was 40 crores, and the ratio was 108·15 per cent. Then, if we calculate the ratio of military expenditure to all other sources of net Imperial Revenue save taxation, which amounts to 45·46 crores, it works out at 98 per cent. Thus, this octopus of military expenditure has been eating away our very vitals."

14. RAO BAHADUR T. RANGACHARIAR (Madras City, Non-Muhammadan, Urban): "There are few questions of broad policy connected with military finance on which this House, and this House alone, can pronounce a right judgment. Sir, take the proportion of the British to the Indian element in the troops. I think it stands to-day at 1 to 2·5—that is, one British

soldier for every two and a half Indian sepoys. I say that is an extravagant proportion. Knowing as we do that the cost of the British soldier is nearly 4 ½ times that of the Indian soldier—that you should maintain this proportion is really appalling."

15. MR. JAMNADAS DWARKADAS (Bombay City): "I come first to his proposal to double the Salt Tax. I ask the Hon. the Finance Member whether he realises or not that while the incidence of three annas per head seems to be a trifling sum, this doubling of the Duty on Salt will affect considerably the average man in India whose income is insignificant."

16. MR. N. M. JOSHI (Nominated, Labor interests): "Does Mr. Darcy Lindsay know how many people there are in this country who are working in the mines and factories? Their number won't be more than two or three million, or at the most five million, people. I do not mind your levying taxes on these people, but the Salt Tax is not going to fall only upon the workers in the factories or mines who are getting comparatively better wages. The tax will fall upon the whole manhood of this country. The average income of the Indian, as estimated by Dadabhai Naoroji, was Rs. 27 a year. Lord Curzon went a step further and said it was 32. I say to-day it may be even 40 rupees, but I ask whether Rs. 40 is a sufficient income to maintain one man in flesh and bone? If it is not, then the Salt Tax is unjustifiable, because it falls upon every man whether he gets Rs. 15 or Rs. 20 a month or even Rs. 43 or less a year."

17. "Salt is required by all persons as an article of food. Upon the quantity of salt consumed, to some extent, the health and strength of a man depends." "If the Salt Tax is doubled, the consumption of salt in India will be reduced to some extent at least. This has been the experience of past years. When the Salt Tax was being gradually reduced, the consumption had increased. The consumption of salt last year was 12 lbs. per person in India. It has also been found

by people who have studied the subject that the minimum quantity of salt that is necessary for a man to keep him in health and strength is at least 20 lbs. That is, in India every person consumes 8 lbs. less of salt than he ought to. Under these circumstances, I do not think the Government is justified in doing anything which will reduce the consumption of salt in this country."

18. MR. W. HUSSANALLY (Sindh, Muhammadan, Rural): "Another argument for the proposed increase of tax which finds favor with the Government and its advocates, is that this tax presses most equally upon the poor as well as the rich. But this theory was exploded by His Excellency the then Viceroy and Governor-General of India, as far back as 1882. His Lordship said:

> I admit the wealthier classes of India have always a very large number of persons depending upon them, and the salt tax they pay is not a tax upon what they consume themselves, but also upon the salt consumed by a large number of their dependents. Nevertheless, when every allowance is made for that consideration, I am at a loss to understand how it can be argued that this tax is equable; because, however great the number of dependents a rich man may have, it is quite impossible that the amount of salt duty he pays can bear to his revenue anything like the same proportion which the amount of duty paid by one of these poor raiyats bears to his small income.

Mr. Hussanally continued: "I find that from 1888 to 1903, the Duty on Salt was Rs. 2-8-0 per maund. In 1903, it was reduced to Rs. 2, in 1905 to Re. 1-8-0, and in 1907 to Re. 1-0-0. In 1916, it was raised to Re. 1-4-0. The successive reductions in duty have led to a largely increased consumption, the figures rising by 25 per cent between 1903 and 1908."

19. RAI LAKSHMI NARAYAN LAL SAHAB (Bihar and Orissa, Nominated, Non-Official) quoted Mr. F. E. Gibson, I. C. S., of Madras: "Even at its present rate it is found that its consumption where most desirable, *e. g.*, for cattle, is very seriously checked by its excessive cost; now, remember the laborers are all vegetable-eaters, having large families to support on a wage that may be put at four pence to six pence a

day at the highest for the family in the prosperous Districts of Southern India. Suppose each family for personal use alone consumes the small allowance (too small) of two ounces of salt per diem, i. e., less than half an ounce for table and cooking; this, with a very small margin for waste, will be, say, four pounds a month, on which unpurified salt in the lump the duty imposed by Government will be at least two pence or one-half day's wage of the whole family."

20. SIR MONTAGU WEBB (Bombay, European): "In fact, at no time were the working and poorer classes more capable of meeting a slight portion of the Government's extra expenditure than they are at the present day. If we turn now, for example, to 1903, when the Salt Tax was Rs. 2-8-0, and if we try to discover at what level wages were generally throughout the country among the agricultural classes and among the industrial workers as compared with to-day—we have ample material in the Department of Statistics' Record of Prices and Wages—we see that wages since 1903 have doubled and trebled throughout the country. If we take unskilled labor in the rural areas, I find the increase has in some cases been 50 per cent, 75 per cent, and 100 per cent. (MR. SHAHANI: And prices?) Prices, I quite agree, have risen too, and there is no reason that I can see why the price of salt should not also rise a little."

21. MR. T. V. SESHAGIRI AIYAR (Madras, Non-Official): "The history of the raising of the Salt Tax proves that there has not been enough consumption in the country; this has led to the increase of sickness and epidemics. After the year 1887, when the consumption of salt stood at 3,37,00,000 maunds, and when Lord Dufferin raised the duty to Rs. 2—8—0 per maund, there has not been any steady increase in consumption. The increase has had this disastrous effect, viz., of making the people take less salt than they ought to do, and, as everybody knows, the result has been greater epidemics and greater sickness in the country."

"It is said 'that the only effect of increasing the Slat Duty would be to put an additional taxation of three annas per head'. The question is, whether the poor of this country can bear this. About 40 years ago, a great financier in Madras, who was also a great thinker, estimated the annual income of the people of that part of India at Rs. 27 per annum or Rs. 2-4-0 per month. I take it, having regard to what Sir Montagu Webb has said, that there has been a great increase in wages—that the income may be now estimated at Rs. 5 per month or Rs. 60 per annum. (Cries of "Too high") Some of my friends say it is too high, but I am willing to take it that the people are able to earn Rs. 5 per head per month. If you will look into the figures as regards the cost of living, it will be found that it has grown out of all proportion to the increase in wages. I have a paper this morning which was issued by the Madras Publicity Bureau. That paper shows that since 1914 alone the increase has been 70·3 in the cost of living, and if you go back to the days of 1889-90 it will be found that the cost of living since those years has gone up to so much as 300 per cent. Now when you compare the increase of wages—I put it down at the very high figure of Rs. 5 per head—with the cost of living, you will find that it makes the position of the poor very unenviable. Taking off 3 annas per head from these people means almost starvation for them. These people have to provide for their clothing, the cost of which has increased enormously. Under these circumstances, if they have to make any provision for lean years, it will be found that by increasing the Salt Tax at the rate of 3 annas per head you will be depriving them of the very necessaries of life."

22. BABU B. N. MISRA (Orissa Division, Non-Muhammadan): "The Finance Member has said that it would cost each person three annas more, and that if each family consists of four members, it would cost twelve annas. He has not, of course, taken into account the fact that each individual has to consume about six seers of salt, over and above the salt

consumed by his animals. Besides, a large quantity of salt is spent in curing fish and so on . . . . . The poor people toil the whole day long and each family can spare to spend about two annas for the whole month for salt. If you increase the rate, he will only be able to buy half the quantity of salt he is now consuming."

23. HON. C. A. INNES (Commerce and Industries Member): "The tax was raised from Rs. 2 to Rs. 2-8 in 1888. It remained at that figure till 1903, when a reduction was first made. In making that reduction, Sir Edward Law explained that most careful enquiries showed that the impost was not felt severely in the country, but the Government reduced the tax because they were in a position to do so, because they recognised that the tax was theoretically a bad tax and because Sir Edward Law thought it most important that India should have a reserve of taxation on which to draw in case of emergency."

24. "We propose to raise the tax by Re. 1-4 a maund. As Sir Malcolm Hailey has told you, that means that we shall add to the cost of living for the consumer to the extent of three annas per head per annum, twelve annas per family of four per annum, one anna per family of four per month, and one pie for a family of four for every 2½ days. Is anybody prepared seriously to say that this country cannot stand it ? (A voice : What is the daily income ?) The country could stand it in 1903-04, and if anybody here is prepared to get up in this House and say that the country is less able to stand this tax of Rs. 2-8 than it was in 1903-04, I join issue with him at once."

25. "What is the best test of prosperity in India ? There is one absolute and certain test, and that is our experience in times of famine. I was Foodstuffs Commissioner in 1919. In 1919, we had the worst crop failure that we ever had since 1900-01. The crop failure was so bad that we were literally afraid that there would not be enough food to go round in

India, and yet the experience in every part of India was that the country stood up to that crop failure and to the enormous rise in prices that followed it. in the most astonishing and remarkable way. In 1901, the number of persons on relief at any one time was 6,500,000. What was it in 1918? 500,000. Does not that show that the standard of living has gone up all through India?"

26. "It is stated by Mr. Joshi and others that this tax is going to press most hardly upon the poor men, upon the lower classes. It is a notorious fact that these lower classes drink the most. In 1902-04, the revenue from drink in India was 7 crores of rupees. In 1918-19, the revenue was 16 ½ crores, and it has grown enormously since then. The lower classes in this country are now able to spend nearly three times as much on their luxury—drink—as they were able to do in 1903-04. After that, does anyone mean to tell me that we are going to do any serious harm if we add to their cost of living by a sum which may be estimated at one pie for every 2 ½ days for a family of four? Surely the statement is nonsense."

27. The proposed increase was defeated by 68 votes to 32 and the Government accepted the decision, no attempt being made to override it, although it was stated by Sir Malcolm Hailey, in reply to questions during the debate, that there was Executive power under the Salt Act XII of 1882, whereby "the Governor-General in Council may, from time to time, by rule consistent with this Act, impose a duty not exceeding Rs. 3 a maund on salt manufactured . . . . . etc."

The Salt Tax, 1923

1. Introduction of Budget.
2. Estimates 1922-23.
3. Decrease in Revenue.
4. Posts and Telegraphs.
5. Revenue Deficits.

Memorandum on the Proposed Imposition of Salt Tax

The Story of the Proposal of 1923

1. The Budget Statement of the Government of India was presented in the Indian Legislative Assembly by the Finance Member, Sir Basil P. Blackett, K. C. B., on March 1st, 1923.

2. The Finance Member summarised the Revised Estimates for 1922-23, explaining how the anticipated deficit of Rs. 9 crores (£6,000,000) was now expected to be nearly doubled, the latest estimate being 17 ½ crores (£11,666,662). Expenditure was over Rs. 4 crores (£2,666,668) less than originally assumed, nearly half of the saving being under Interest charges owing to a half-year's interest on the greater portion of the year's loans not being payable until 1923-24. There was a saving on Military Expenditure of Rs. 50 lakhs (£333,350), notwithstanding increase of 1 ¾ crores (£1,166,668) for Waziristan and Rs. 2 crores (£1,333,334) on Demobilisation charges. Savings in Civil Expenditure were due to retrenchments already carried out.

3. Revenue was down by Rs. 12 ½ crores (£8,000,000) in spite of excess receipts of nearly Rs. 1 crore (£666,663) from Opium and Salt. Chief disappointments were Rs. 3 ½ crores (£2,333,334) less under Income Tax owing to heavy refunds at Calcutta, as a result of adjustment system under the former Act, and Rs. 3 crores (£2,000,000) less under Customs, half of which was due to a drop in prices of sugar.

4. Receipts under Posts and Telegraphs were less by Rs. 1 crore (£666,667), but the greatest fall was under Railways. Gross Railway receipts were short by Rs. 7 ½ crores (£5,000,000), and after allowing for some saving in working expenses, the net result of the year's working, when Interest charges were taken into account, was a loss of Rs. 1 crore (£666,667) as against an estimated profit of Rs. 5 crores (£3,333,335).

5. The outstanding fact was that the continuous over-spending of revenue had resulted in revenue deficits aggregating Rs. 100 crores (£66,667,000) in five years. Moreover, the Rupee Debt had increased from Rs. 146 crores (£97,330,000) to Rs. 421 crores (£280,666,000) and the Sterling Debt from £177,000,000 to £240,000,000.

6. Though in the current year the floating debt had been considerably reduced, the Rs. 22 crores (£14,666,000) of Treasury Bills still outstanding with the public constituted a danger in India's financial position. India had not entirely escaped the evils of inflation, but was better off than many other countries. The successive deficits of the last few years had produced a certain amount of taxation by inflation, a heavy annual charge on present and future Budgets, a deterioration in India's credit, an increase in the cost of borrowing, and a depletion in the reserves available for capital development. He emphasised the importance of stimulating habits of investment among the masses.

7. Provided the era of unbalanced Budgets ceased, the Currency position could be regarded with some satisfaction. India's export trade was slowly improving, and the Currency reserves were strong. The rupee sterling exchange had improved, and there had been a satisfactory fall in prices.

8. The Finance Member then passed on to the Estimates of Expenditure for 1933-24. Except in the Military and to a certain extent in the Posts and Telegraphs Budget, the suggestions of the Retrenchment Committee could not, for want

of time, be fully incorporated in the detailed Estimates, but a lump reduction had been made.

9. In the non-Military portion of the Budget, excluding Interest, the amount reduced was Rs. 4 crores (£2,666,000) which, together with Rs. 2 ½ crores (£1,667,000) by which the present Budget fell short of that for the current year, was only Rs. 2 crores (£1,334,000) less than the Committee's proposals.

10. Military expenditure was taken at Rs. 62 crores (£41,333,000) or Rs. 5 ¾ crores (£3,833,000) less than in the last Budget. The reductions pivoted on substantial reductions of the British and Indian troops, which were still under discussion with His Majesty's Government. If full financial effect could have been given to the Retrenchment Committee's proposals in the Budget for 1923-24, the Military expenditure would have been Rs. 57 ¾ crores (£38,500,000). The difference of Rs. 4 ¼ crores (£2,833,000) was due in part to special expenditure in Waziristan, Rs. 1 ¾ crores (£1,167,000), and partly, as in the case of Civil expenditure, to inevitable delay in giving effect to the proposals.

11. The total expenditure for 1923-24, including the working expenses of commercial departments, is estimated at Rs. 204·33 crores (£136,222,000), or Rs. 11 crores (£7,333,000) less than in the previous Budget, notwithstanding an increase of Rs. 1 ¾ crores (£1,167,000) under Interest charges.

12. Revenue is estimated at Rs. 198 ½ crores (£132,000,000) leaving, on the basis of existing taxation, a deficit of Rs. 5·85 crores (£3,900,000).

13. The total deficit of Rs. 5·85 crores could be reduced to Rs. 4 ¼ crores (£2,833,000) by crediting to Revenue the interest on securities in the Gold Standard Reserve, in addition to that on securities in the Paper Currency Reserve, which latter was approved by the House last year.

14. New taxation was necessary to make up the balance and the only practicable course was to enhance from Rs. 1 ¼

(1*s*. 8*d*.) to Rs. 2 ½ (3*s*. 4*d*.) per maund (82 lbs.) the Duty on Salt, from which an additional yield of Rs. 4½ crores (£3,000,000) was expected in 1923-24. A small margin of Rs. 24 lakhs (£160,000) would then result.

15. The particulars given in paragraphs 1 to 14 are taken from the Official Summary issued by the India Office on March 1st, 1923. The value of the rupee is taken at 1*s*. 4*d*. The English approximate equivalents have been inserted by the writer of this Memorandum.

16. The *Times* Correspondent, wiring from Delhi on 1st March, stated that the "announcement of the proposed increase of the Salt Tax was received with vigorous cries of dissent from non-official Indians. Cries of "Never," and "A further decrease of Military expenditure," were heard. At the end of the speech, however, the Finance Member was generally cheered."

17. A Reuter message from Simla, dated Monday, March 5th, said: "The general discussion on the Budget lasted the entire day, twenty speakers participating. Sir Basil Blackett was generally congratulated on his first Budget, and Sir Malcolm Hailey received warm praise for his conception and the success of the idea of the Inchcape Committee. Practically all the Indians condemned the Salt Tax, advocating more retrenchment in the Army and Civil estimates. As an alternative, they also suggested an export tax on petrol and a tax on silver. Several of them deprecated the present high tax on motor cars, which benefited Canada and America at the expense of England."

18. A Reuter message from Simla, dated Tuesday, March 6th, stated that Lord Rawlinson announced that His Majesty's Government accepted the Inchcape reductions for the Infantry, but the proposals regarding Cavalry and Artillery were still under consideration. He could not accept the idea that the cost of the Army could ever be reduced to 50 crores of rupees (£33,330,000). He could not admit that the Army was

too strong or too efficient for the needs of the country, and its equipment had not reached the completeness which the Assembly had resolved on following the recommendations of the Esher Report.

19. A message from the *Times* Delhi Correspondent, dated Thursday, March 8th, said: "The Assembly is unanimously of the opinion that the deficit must be covered, though it has strenuously endeavored to find other expedients than a doubling of the Salt Tax. After two days' discussion, however, as Sir Basil Blackett remarked, the Salt Tax holds the field. A notable feature of the debate has been the reasonable atmosphere prevailing. No speaker attempted to justify his opposition to the Salt Tax on any but political grounds."

20. A message from the *Times* Delhi Correspondent, dated Thursday, March 15th, said: "The defeat of the Government on the Railway vote yesterday emphasises the fact that the Legislative Assembly is not facing the Budget squarely, but is wasting time by tactics which repeatedly raise constitutional issues."

21. A further message, dated March 18th, stated that "the Government have restored the Assembly's cut of 114 lakhs (£759,924) in Railway expenditure".

22. Commenting on this decision, *The Leader* (Indian) of Allahabad, on March 21st, "regrets that the Governor-General should have restored the cut of Rs. 114 lakhs made by the Assembly in the Railway Budget. The sum was not intended as a reduction in Railway expenditure, but as an amount which should be charged to capital and not to the revenue account. Such action as this only helps to swell the momentum of public opinion against the retention of any reserve of autocracy in India's Constitution."

23. *The Statesman* (Anglo-Indian) of March 21, Calcutta, writes "that had the Governor-General refused to exercise his constitutional powers and restored the cut of Rs. 114 lakhs in the Railway Budget, there would have been

a further increment in the recurring cost of fresh Railway Capital. The Railway outlook is bad, and none but Sir Malcolm Hailey referred in the Assembly to the uneconomical nature of savings effected in a sphere in which generous productive expenditure is likely in the long run to prove the truest economy. The Assembly has allowed its vision to be obscured by a passion for pinchbeck economies which bodes ill for the industrial future of India."

24. A Reuter message from Delhi, dated March 17, states that the amount included in the Budget for the Royal Commission on Indian Services was three lakhs of rupees (£ 19,998) and that the Vote was refused by 46 votes to 45.

A *Times* message of March 18th said: "Sir P. Sivaswami Aiyar and Mr. N. M. Samarth both urged the Chamber to be satisfied with a protest or a nominal reduction of the Vote, but others considered that the passing of the demand would be regarded as a reversal of the Assembly's previous expression of dissapproval of the appointment of the Commission."

25. The same message to *The Times* says: "All reasonable opinion takes the view that the Salt Duty is the only possible way of covering the deficit. The objections to its increase do not pretend to be based on economic grounds. On the other hand, it is recognised that the problem of the Indian members is how to vote for the Salt Duty and secure their return at the elections in November. That is unanswerable in the present state of prejudiced feeling, and therefore the rejection of the enhancement of the Duty is almost certain."

26. During the debate on the Budget in the Assembly, Sir Montagu Webb (Bombay, European) who voted for the increased Salt Tax in March, 1922, urged that "the deficit be covered by the imposition of a small export tax on petrol, a four-annas duty on silver, and the abolition of the one-rupee note, and the reduction on the proposed Salt Duty by one-half."

27. Dr. Gour said "that the Military expenditure which stood in 1913-14 at 29·17 crores had gone up in 1922-23 to 72·29 crores. The Financial Conference of Brussels regarded Military expenditure amounting to 20 per cent of the gross revenue of a country as perilous, but the Military expenditure of India worked out at 44 per cent of the Indian revenues. After the Mutiny, when the Army of India was reorganised, it was fixed at 65 thousand British and 140 thousand Indian troops. The strength of the Army now had risen by 7600 British and 46,497 Indian troops, and there was no justification for this increase, when the Treaty had been concluded with Afghanistan, and there was no internal menace. The maintenance of internal peace and order was primarily the function of the Police and not that of the Army. One-third of the Army should therefore be reduced and replaced by the Police. The British soldiers were the costliest in the world, and were five and a half times as costly as Indian soldiers. They should therefore be replaced by the latter if Military expenditure was to be reduced."

28. Sir Basil Blackett (Finance Member) said: "The Government had not proposed the Salt Duty light-heartedly, but after examining all other expedients, and found that it would do less damage to the country and would most easily cover the deficit. No member had shown the economic ill-effects of the Tax. Of course, it had been considered politically objectionable. He did not deny the political difficulty, but the position was that it was a tax which would cost three annas a year per head. It could not be claimed by anybody that this was going to upset the position of even the poorest. (A Voice: Oh, yes!)............The Salt Tax held the field as economically the least objectionable of all alternatives."

29. A special article, probably inspired, in the *Times* of March 23, contained the following: "When the Indian Budget was before the Legislative Assembly the position evidently was that before the Assembly proceeded to vote on

the doubling of the Salt Tax—the raising of the Salt Tax from Re. 1-4 to Rs. 2-8, an attempt was made to reach a compromise on a motion that the increase should be to Rs. 2 only per maund.

This would not by itself have provided equilibrium between revenue and expenditure. But if agreement had been obtained between Government and the Assembly, the gap might have been bridged by other means.

The attempt to find a basis for a compromise failed, and the motion to raise the Salt Duty to Rs. 2 per mauud was defeated by 55 votes to 48. The proposal to raise the Tax to the full amount of Rs. 2-8-0 was put and defeated by 59 to 44."

30. "The Finance Bill having been defeated in the Lower Chamber, the Legislative Assembly, it now goes to the Council of State, where it will be dealt with to-day (Mar. 23) with the recommendation of Lord Reading, the Viceroy, that the original proposal to double the Salt Duty be enacted. This is the first occasion on which the Viceroy has held it necessary to resort to the special powers provided in the Government of India Act in connection with a Finance Bill."

31. The *Times* Correspondent, wiring from Delhi on March 22, says: "It is important to understand the significance of the Viceroy's action on the Finance Bill. The Government could merely have given notice of its intention to move amendments in the Council of State restoring the enhanced rate of Salt Duty. The fact that the Bill is recommended by the Viceroy means that he has taken action in order to render it possible for him to certify it at a later stage if necessary.

If the Council agree to the Government amendment and the Assembly concurs when the Bill is reported to it on Monday, the crisis disappears. If the Assembly refuses to concur, then the Viceroy can certify the Bill as a recommended Bill under the Government of India Act. The case is different from that of the Princes' Protection Bill, which came before the Assembly in the first instance as a recommended Bill to which the Assembly refused leave to introduce, Certification being therefore immediately effective. Here the Assembly has not rejected the Bill and the Bill in the first instance was not 'recommended'."

32. The Indian Salt Tax. Government view adopted by State Council. Delhi, Saturday, March 24. The Finance Bill, as recommended by the Governor-General in exercise of his extraordinary powers, was passed by the Council of State last night by a majority of eighteen votes. By this decision the Upper House reversed the vote of the Legislative Assembly in respect of the Salt Duty, and fixed the Duty at Rs. 2-8 as originally proposed by the Government.

33. The opposition to the Salt Tax was somewhat exhausted in a preceding general discussion. Non-official members, including Mr. Lallubhai Samaldas and Professor Kale, both elected members, maintained that a deficit of 369 lakhs (about £ 2,500,000) was not such as to imperil the credit of the country, that the Government had not fully explored all avenues to retrenchment, and that there was therefore no necessity to take a gloomy view of the financial situation and impose a tax which would press very heavily on the poor and lower the vitality of the people. Mr. Lallubhai Samaldas declared that if the Government was bent upon doubling the Salt Duty, then they would be alienating the sympathy and support of those who had come to work the Reforms, and force them to stay outside the Legislature.

34. The Government's position was explained by Sir Basil Blackett and Mr. Cook, who said the Government had made every endeavor to avoid Salt Duty, but there was no unanimity among the non-official members, who suggested alternatives, while nearly every one of them privately thought that the Salt Tax was the best.

35. Mr. Innes, the Commerce Member, remarked that members of the Legislative Assembly were influenced regard-

ing the Salt Tax by the consideration of having to face their constituents for election in a few months' time, but the members of the Council of State were in a different position, and, therefore, they could easily vote with the Government in this matter.—Reuter.

36. Delhi, March 23. The Council has agreed to the Government amendment doubling the Salt Tax by twenty-eight votes to ten.

There are indications of an attempt to organise strong opposition to the Finance Bill in the Assembly, when it returns there on Monday. The organisers pretend that the Government is using its powers unnecessarily to force through the Bill, that the deficit of 369 lakhs (£ 246,000) can well be left uncovered, that the enhanced Salt Duty—which, it may be observed, does not involve more than a tax of three annas per head per annum, will embarrass members with their electorates, and that the Government's action means the breakdown of the Reforms scheme.

37. Of these fallacies the most dangerous is the last, for the Constitution expressly provides special powers intending them to be used. After a succession of deficits, Indian credit demands a really balanced Budget, hence Sir Basil Blackett's steadfast refusal to adopt expedients for concealing a deficit by book-keeping devices. Retrenchment has admittedly been carried out on a dangerously drastic scale; moreover, many of the cuts are in non-recurring expenditure.

38. The Revenue Estimates are based on the hope of a normal monsoon for the third year in succession, and of an improvement in world conditions. These considerations, added to the knowledge that India must again be a borrower this year, have been strongly urged by the Government, yet with certain members their favorite obsession that a constitutional crisis is always just round the corner is too powerful. It may be pointed out that they are perturbed by signs that the Government is no longer inclined to humor the altogether

unjustified fancy that the Budget is presented for refashioning during its passage. It is believed that after Certification, assuming it to be necessary, the Viceroy will address the two Chambers, explaining the position. He leaves for Gwalior on Thursday, arriving at Simla about the middle of April.

39. Bombay, March 23. The agitation against the "certifying" of the Salt Tax is growing in volume, political organisations joining the Press in protests.

Bombay vernacular newspapers propound some fresh points of view: one considers that the Salt Tax is connected with the appointment of the Public Services Commission, and says that the public believe that the Government is persisting in doubling the Salt Tax anticipating large increases in the pay and pensions of Government Services; another urges that the only course open to Moderate members of the Assembly is to resign and declare themselves Non-Co-Operators.

The *Times of India* continues to emphasise the point that Certification is unconstitutional, because a state of emergency is non-existent.

40. Mrs. Besant writing in *New India* says: "The Council of State has yielded to autocracy, and has thus betrayed the Nation, and condemned the very poor to increased suffering, lower vitality and a larger death-rate when the next epidemic sweeps the country. Only ten members had the courage to vote against the Government; two remained neutral, and twenty-eight bowed the knee, and did as they were told. The absentees are as blameworthy as those who voted for the doubled Tax on a necessary of life for men and cattle. Sir Alexander Murray asked the members not to be "swayed by sentiment"; probably if his wife and children, if he has any, had only one insufficient meal a day, and he saw the one thing that made it palatable taxed away from it, he would also wish that the levyers of the tax had more feeling and less callousness. To be hard-hearted to the suffering of

others is not a human virtue, but is a survival of the tiger in us; to sacrifice the food of the poor rather than tax our motor cars more heavily is not a thing to be proud of. The Council of State sits for five years, so if there were any elected members among the thirty they are probably consoling themselves with the hope that the memory of the great wrong they have done will have faded from popular memory before they have to face their constituencies. It is a relief to see that the People's House remains undaunted, and Mr. Ginwala has issued a whip to the Democratic Party to be present on the 26th for one last effort to 'save the Reforms from certain wreckage'. Even if they do not win, they will none the less have saved the Reforms, for the revival of autocracy and the attempt to hide its nakedness under the exiguous skirt of the Council of State, will immensely strengthen our cry for the Convention, which will vest the Government of India in a responsible Cabinet."

41. Delhi, March 25. The Assembly to-day refused to concur in the amendments to the Finance Bill, thus rejecting the enhanced Duty, by 58 votes to 47.

The debate showed that the bulk of the Members had made up their minds against doubling the Salt Duty, for immediately an abortive attempt was made to reject the motion for consideration of the amendments.

Sir Basil Blackett, in a quietly forceful speech, appealed to the Assembly to recapture the spirit of March 1, when unanimity was shown in favor of balancing the Budget. If the Budget were balanced without the Assembly's support much of the pleasure attaching to that feat would be removed.

42. Mr. Jamnadas Dwarkadas led the opposition with a fiery tub-thumping speech, talking of revolution, accusing Whitehall of forcing the Salt Tax on India, and declaring that the Government was sowing the seeds of sedition. Sir Campbell Rhodes provided a good corrective in a well-reasoned

speech, recognising the honest views on both sides, but pointed out that the tax had now been in force for nearly one month, and that there had been no outcry. Having made enquiries, he found that, although the price of salt had increased, the man in the street did not grumble, because salt was a small item in the domestic budget. Sir Campbell Rhodes strenuously opposed the view of Whitehall pressure, which, later, was categorically denied by Sir Malcolm Hailey. India alone stood to gain by the decision.

43. Whatever good effect this speech may have created was immediately undone by the deplorable intervention of Sir Montagu Webb, who declared that the deficit was purely temporary, and that a deficit was avoidable. Inconsistently, Sir Montagu Webb laid stress on the economic strength of India, finally declaring that the British Parliament would condemn the Government's attempt to cut the throat of the young Legislature. This demagogic speech was vehemently cheered by the Indian members.

44. Later, Sir Malcolm Hailey trounced Sir Montagu Webb, and advised the Chamber not to accept his description of himself as a business man and financier. In January, he had strongly condemned leaving an uncovered deficit; now he urged that course, or rather pretended that no deficit existed. Moreover, a man who could sign the Fiscal Report, and then go before the Associated Chambers of Commerce and advocate a diametrically opposite view was unworthy of serious consideration.

45. Mr. Lindsay also made a powerful speech expressing contempt for Sir Montagu Webb's opportunism and appealing to the Assembly to support the Salt Tax, as the only means of enabling the Government to reduce Provincial Contributions. Sir Malcolm Hailey, at the end of a magnificent speech, contested the notion that the Government was wrecking the Reforms rather than giving them an opportunity. The status of the Assembly would be judged by its achievements not by

its aspirations. He had too robust a faith in the Reforms to believe that they were endangered by the Salt Tax. His appeal was vain. India will, however, balance her Budget, for the Viceroy's Certification is inevitable, although there will be strenuous efforts by the politically-minded to deter him from that obvious course.

46. In the House of Commons on March 26th Mr. Lansbury (Lab.-Bow and Bromley) and Mr. Trevelyan (Lab.-Newcastle) asked whether the Viceroy of India had decided to certify the Finance Bill with the clauses imposing an increased Salt Duty which were rejected by the Legislative Assembly.

Lord Winterton (Under-Secretary for India): I would ask for the indulgence of the House in giving a somewhat detailed answer on this important subject. On the 20th inst. the Legislative Assembly rejected the clause in the Finance Bill proposing that the Salt Tax should be increased from Re. 1-4-0 to Rs. 2-8-0 per maund of 82 lbs. The Bill was considered by the Council of State on the 23rd inst. with a recommendation from the Governor-General under Section 26 of the Government of India Act that the clause enhancing the Salt Duty should be re-inserted. This was carried by 28 votes to 10. A similar recommendation is to-day before the Legislative Assembly, who thus have the opportunity of reconsidering their vote of the 20th inst.

In the event of their passing the Bill in the form recommended, no question of Certification will arise. In the event of the Assembly not accepting the Bill as passed in the Council of State, the question of Certification by the Governor-General may arise. Ordinarily, a Bill certified under the procedure laid down by Statute does not have effect until it has received his Majesty's assent, and may not be presented for his Majesty's assent until copies have been laid before each House of Parliament for not less than eight days on which that House has sat. But provision exists under which in special cases the Governor-General may direct that a Bill dealt with under certificate procedure shall come into operation forthwith. The decision on this point is vested in the Governor-General, and seeing that the Bill is actually to-day under consideration of the Legislative Assembly, I am not prepared to anticipate the decision that the Governor-General may feel called upon to take in the event of the Assembly rejecting the clause enhancing the Salt Duty.

In reply to Mr. Hope Simpson (L.—Taunton) Lord Winterton said he could not state off-hand what the increase in the price per pound would amount to. It would not be a large amount.

Colonel Wedgwood (Lab.-Newcastle-under-Lyme) asked whether in case the Governor-General adopted the very exceptional procedure of certifying this increase, the House of Commons would at some time or other have an opportunity of discussing his action.

Lord Winterton replied that he could give no such promise. For one thing the decision might be taken to-day. It would be clearly impossible to hold up the Finance Bill pending discussion by the House of Commons.

Mr. Lansbury asked whether the proposed action of certifying this legislation, without any reference to the House of Commons and in defiance of the Legislative Assembly, was likely to pacify the people of India.

The Speaker intervened.

In reply to Sir H. Craik (C.-Scottish Universities), who asked whether there was any justification for speaking of the suggested action of the Viceroy as exceptional, Lord Winterton said that this particular course was provided for in rules under the Government of India Act.

47. INDIAN PRESS COMMENT.—Intense interest is being taken in all quarters in the Government's intention to double the Salt Tax, and in the attitude which the Legislative Assembly has assumed in regard to the proposal.

The Bombay vernacular newspaper *Samachar* and the *Bombay Chronicle* urge that all non-official members should walk out of the Assembly if the Viceroy certifies the Bill. The *Samachar* suggests that the Government "could then carry on as an undiluted autocracy supported by Lord Rawlinson's army".

Mrs. Besant, in an article in *New India* states that the Council of State has "betrayed the Nation". The *Madras Express* describes the Government's policy as short-sighted, and says it is "followed with a persistence worthy of a better cause". The *Hindu* declares that the Council has ignominiously yielded to the command of the Executive. *Swarajya* darkly suggests that the Government is "taking the road to the scaffold".

The *Times of India* says: "Assuming that the Viceroy certifies the Salt Tax, we arrive at the postulation that the great defect of the Constitution is that it permits unconstitutional acts. There is already talk enough of the need for revising the Constitution, but there is no excuse for the wilful provision of a just cause for that talk. Members of the Legislature may well ask whether autocracy has really been abandoned."—Reuter.

48. *Delhi March 27th.*—The following is an authoritative recapitulation of the position with regard to the Indian Budget:

Faced with the imperative necessity of ending a succession of deficits, the Government had to balance the Budget. Expenditure had been drastically retrenched; of this, the Government's action in reducing the number of British troops is convincing proof. Additional taxation through the customs or income tax was impossible, owing in one case to the fear of the operation of the law of diminishing returns, in the other owing to the necessity of going slow with that form of taxation, which has been much tightened up, the income-tax organisation created by the Central Government having recently brought many new classes into the net.

49. Therefore, the increase of the Salt Tax was inevitable, and it is admitted that it will place an infinitesimal burden on all classes and is easy to collect. No new tax is

indicated. During the War the price of salt rose far higher than it is to-day; moreover, for fifteen years the tax stood at the figure now imposed, and it may be pointed out that the increase, in accordance with the usual procedure in India, took effect from March 1 on the introduction of the Budget, yet the rise in price resulting from it is regarded as negligible by the working-man, who now has a more varied domestic budget in which salt is a minor item.

50. It may be emphasised that the Government all along showed readiness to adopt an alternative, provided that it would give the money wanted, would have the support of the majority, and would really cover the deficit, and not be a mere accountancy expedient such as that suggested by Sir Montagu Webb and Captain Sassoon.

51. The Viceroy's action in certifying the Finance Bill is criticised on two grounds. First, it is contended that he is using his extraordinary powers for an ordinary occasion, thus dealing a blow at the Reforms. Secondly, it is held that the doubling of the Salt Tax will give such a handle to agitation that its financial effect will indirectly be more disastrous than an uncovered deficit. The critics add that another deficit would not matter.

52. With regard to the first point, the Government of India Act and the reports leading up to it make it quite clear that the Viceroy's power of Certification is intended to be used in order, when necessary, to put a Government, faced by a permanent opposing majority, in a position to carry through vital measures. Indeed, the Reforms rest on the use of this power. There can be no doubt that India's credit demands a balanced Budget; therefore, the occasion is a most proper one for the use of the extraordinary power, especially as prices are falling after two good harvests, and a better occasion for balancing the Budget would be difficult to find. The Viceroy, indeed, has only done what a responsible majority would do in such circumstances.

53. With regard to the second point, the belief that the agitators will use the doubling of the Salt Tax as a handle is correct. They are never backward in using handles, but it is doubtful if the public will listen to them, especially in view of the rapid drop in food prices. There are distinct limitations to misrepresentation of the doubling of the Salt Tax, as compared with the agitation over such a matter as the Rowlatt Act, a legal measure which was very vaguely understood.

54. Delhi, March 29.—The remarkable statement by His Excellency Lord Reading has been published in a *Gazette Extraordinary*, explaining the reasons which moved him to certify the Finance Bill. The Viceroy expresses the conviction that his action will prove of ultimate benefit in the development of Reforms and advancement of India. The statement runs:

In the course of the debate on the Finance Bill, I was deeply concerned to find that I and my Government were in disagreement with the majority of the Legislative Assembly, in regard to the necessity of imposing an increase in the Salt Tax from Re. 1-4 to Rs. 2-8 per maund in order to balance the Budget and produce a financial equilibrium. The Bill, as introduced with this provision, was not passed by the Legislative Assembly in the form proposed by my Government. It was recommended by me in the original form proposed to the Council of State, where it was passed by a majority of 18 votes. It was returned to the Legislative Assembly in the form recommended to the Council of State and rejected by a majority of 11 votes. I have a high respect for the convictions of the Legislative Assembly but, after careful consideration, I find I cannot subscribe to them, and I have decided to exercise the special powers with which I have been invested by His Majesty's Government under the provisions of Section 67-B of the Government of India Act and to certify the Bill.

55. Rehabilitation of India's credit. I have arrived at this decision after much anxious thought and deliberation, and I desire to make clear my reasons for taking this action. Ever since I came to India and learnt the financial conditions,

I have been deeply impressed by the imperative necessity of placing India's finances on a sound basis and have kept this object continually in view. The first Budget, after my arrival, was that of 1922-23. I then learnt that there had been cumulative deficits in the four years preceding, totalling 90 crores. Heavy increases of taxation had been imposed by my predecessor's Government in 1921-22, in order to balance the Budget. Taxation had, again, to be enhanced by my Government in 1922-23, and an increase was also made in the Postal and Railway charges. It will be remembered that, at the time, my Government also proposed to double the Salt Duty, the Legislative Assembly rejected the proposal. I accepted their decision and did not certify. Without dwelling in detail on my reasons, it will suffice to mention (*a*) that my Government were deeply impressed with the need urged by the Legislature as a necessary step to precede any further taxation of this nature, and (*b*) that food prices were then high and wheat in particular exceptionally high. When we came to frame the Budget of the present year, we found that, notwithstanding the admirable work accomplished by Lord Inchcape and his Committee, and after making very far-reaching reductions in expenditure, we had again to face a deficit not so large, indeed, as last year, but, nevertheless, amounting to nearly four crores. We have striven our utmost to restore equilibrium by a scrutiny of the estimates of revenue and expenditure, but have failed. Speaking with all the responsibility falling on me and my Government, I am convinced that the position cannot be ameliorated by any addition, however tempting in appearance, to revenue, or by any deduction from expenditure. My Government held that, in view of the past accumulated deficits, it was essential in the interests of India, to balance its Budget. It had every reason to look for the support of the public and the Legislature. In this country, the Legislature, all sections of the Press and public men in deputation, addresses and speeches have insistently urged on me the vital necessity of securing financial equilibrium. In addition, representations had persistently been made, that the Government of India should balance its Budget in order that it might begin to remit Contributions of 9 ¼ crores from the Provincial Governments to the Government of India, a matter vitally important to the progress of those departments which have, under the Reforms Scheme, been committed to the charge of Ministers. The rehabilitation of India's credit by presenting a balanced Budget was not a measure which could be delayed.

56. No alternative. The need for large capital funds for material development obliges the Indian Government to enter the money market for considerable sums both in England and India. It would, in the highest degree, be unfortunate, if it had been obliged to present a deficit for the sixth year in succession, and when circumstances no longer permitted. I hoped that the deficit was purely temporary, or was one which would yield to a determined effort at retrenchments. Reductions have been made in Military charges, which seemed incredible a year ago. The Government of India have stated that, in making these reductions, we are taking military risks, but we feel that we are justified by the financial stringency. His Majesty's Government have agreed in principle to the reductions. In the Civil departments, similar retrenchments of a far-reaching character have been accepted. If, after making these efforts, we still had to present a deficit, there was every possibility that the fact would react on our position as a borrower. Our hopes for a gradual reduction in our Interest charges would be frustrated, with results damaging not only to India's progress as a country, but to every industrial and trading interest in the land. The Provinces have now their own commitments for capital expenditure on their material development. Their interests would suffer even more severely than those of the Central Government, in proportion as their resources are more limited. The most

careful and anxious consideration was given to the possibility of finding an alternative to attain the equilibrium. No alternative presented itself to the Government, nor, indeed, when the matter came to be discussed, to the Legislature. The reason is obvious. Those engaged in trade and industry have had laid upon them heavy increases in taxation during recent years. Postal and Railway rates have been enhanced. The burden thus placed on commerce and industry will require time for adjustment, and further taxation in these directions would have failed to provide the sum required.

57. Shadowy foundations. I have myself given the most careful consideration to the objections which appear to exist against the enhancement of the Salt Tax, whether on economic grounds or those of sentiment. The Tax is said to have historic unpopularity, but it existed before British Rule. In the period from 1861-1877, it stood in Northern India at Rs. 3; in 1878, the rate was Rs. 2-12; from 1872-1881 and again from 1888-1902, it stood at Rs. 2-8; and since 1916, it has been at Re. 1-4. The objection is thus not to the Tax itself, but to its present enhancement. Every increase in the rate of a tax is unpopular, yet it must be remembered that it has been collected in the ordinary way at the enhanced rate throughout British India since the 1st of March this year. The economic arguments against the Tax appear to stand on shadowy foundations. Perhaps, never in the recent history of India has there been a year in which such enhancement will press more lightly on the poor. Wages are still on a favorable basis, but the prices of foodstuffs have markedly fallen, and, with the abundant promise of rich harvest around us, may be expected to decrease still further. Even a slight fall in the price of foodstuffs is of great importance to the poor family.

58. An infinitesimal effect. The mill-laborer is shown to spend approximately 56 per cent of his income on food, and of this amount salt represents only two-fifths of one per cent.

The increase in Salt Tax must have infinitesimal effect at a period such as this. Prices of food grains fell by 20 per cent between October, 1921, and December, 1922, between January, 1922 and 1923. Retail prices of wheat fell 100 per cent in important centres of Northern India. These considerations were duly laid before the Legislative Assembly. That body had from the first admitted in principle the paramount necessity of balancing the Budget. Many of the members had emphasised the need of regaining equilibrium as a necessary preliminary to fulfilling our obligations in regard to the gradual reduction of Provincial Contributions, and it is, indeed, obvious that no step in this direction can be taken so long as the finances of the Central Government are in deficit. The Assembly was unable to agree on the adoption of any alternative form of taxation, which would secure the full amount required. Nevertheless, it rejected the proposal for an enhancement of the Salt Tax. It was in these circumstances that it became my duty to certify the measure.

59. Exercise of special powers. It must be clearly understood that my action merely imposes an enhancement of the Tax until March, 1924, when the matter must come again before the Legislature. It will then have had a year's experience of the operation of the Tax, and it will be in a position to determine whether, in view of the condition of the country and having regard to our obligations to the Provinces, it will vote for its retention. I hold strict views regarding the exercise of my special powers. Their use can only be justified in the words of the Government of India Act, when it is essential for the interests of British India. This requirement has throughout been present to my mind. In the present case, the interests of India only and no other interests are in question. A balanced Budget is absolutely essential to her interests at the present time, and I believe that it is my duty to take the necessary action to secure this, in the discharge of the responsibility placed upon me as Governor-General by

the Imperial Parliament. It may be that the Scheme of Reforms introduced by the Government of India Act will be attacked on account of the action taken by me. This would be unfortunate and could only be due to a misapprehension, for the Constitution is embodied in the Act, and I do not believe that there is any substantial difference as regards the meaning of the important provisions under which I am acting. An unbalanced Budget appears to me to involve dangers to the future of India, perhaps inherently greater than any constitutional or political issue, while their immediate effect is to stifle the development in the provision of all those beneficent activities, education, public health and industry, which should be the first fruits of the Reforms. I am convinced, therefore, that my action will prove of ultimate benefit in the development of the Reforms and the advancement of India, and for these I shall continue to labor in the discharge of the high responsibilities entrusted to me as Governor-General. Reading, Viceroy and Governor-General.

60. M. L. A.'s Memorial to Viceroy. Twenty members of the Legislative Assembly, mostly of the Democratic Party, have submitted to-day a representation to H. E. Lord Reading, urging him not to resort to the expedient of certificate in respect of Salt Tax, as such a step would endanger the Reforms, antagonise the Intelligentsia of the country, cause consternation among the people and would result in creating a sense of insecurity in the Nation. The following is the full text:

MAY IT PLEASE YOUR EXCELLENCY,—We, the undersigned members of the Indian Legislative Assembly, approach Your Excellency with our earnest and respectful representation on the question now engaging Your Excellency's attention, namely, the Indian Finance Bill. From the procedure already adopted by Your Excellency of sending a message to the Assembly through its President, recommending the passing of the Indian Finance Bill, as amended by the Council of State, we apprehend that Your Excellency contemplates certifying the passage of the Bill in the form recommended

We venture to say, with all the earnestness we can command, that such a procedure is unwarranted and fraught with danger to the Constitution.

61. LEGAL OBJECTION. Looking at it from every point of view, legal and political, we beg to point out that the step would prove risky and dangerous. We shall not rest our objection to the proposed action on technical grounds only, but mainly on ethical and economical grounds. We shall very briefly refer to the legal objection as it strikes us. Under Section 67-B, it is only if either Chamber fails to pass any Bill in the recommended form, that Your Excellency can proceed to certify. We wish to draw pointed attention to the phrase "fails to pass any Bill". The stage at which the recommendation came to this Assembly was after the originating Chamber had passed the Bill, and it had been laid before the other Chamber, and in that other Chamber certain amendments were recommended to be passed and that other Chamber had adopted these amendments, and the Bill came back to this Assembly with a report that the other Chamber had made certain amendments in the Bill as passed by the Assembly, and the concurrence of this Assembly was asked for with reference to those amendments.' It was at this stage Your Excellency's Recommendation was received. In this connection, reference is respectfully invited to Section 67, Sub-clause 3, which speaks of the Bill being passed by the originating Chamber, and afterwards the Bill is passed by the other Chamber without amendments, or with amendments in which both the Chambers agree, that there is no second occasion for passing the Bill in the originating Chamber, whether the originating Chamber agrees with the amendments made in the other Chamber or disagrees. In the latter case, this other Chamber might reconsider its position and agree to the Bill, as passed in the originating Chamber, or, if obdurate, a joint session may be invoked. The Assembly yesterday, again by a majority for the third time, reiterated

its opinion that the Salt Tax should not be enhanced. It is quite possible that the other Chamber, the Council of State, might reconsider its position and assent to the view of the Assembly. To put it shortly, any Recommendation intended to be made under the Section should be made before the Bill is passed by one of two Chambers. After that stage is passed, there can be no more Recommendation, nor Certification, except on a new Bill. The distinction between the Bill as a whole, a clause in a Bill and an amendment to a Bill is brought out in Section 67 (2), which also relates to another class of certificate by the Governor-General. When Section 67-B speaks of any Bill, it means the whole and not a clause or amendments thereof. Reference may be made to Section 63 of the Government of India Act, which speaks of the Bill being agreed to by both the Chambers, with such amendments as may be agreed to by both. This, it is submitted, is not inconsistent with the contention above put forward as regards the construction of Section 67-B, which contemplates a failure to pass on the part of the Chamber, an active function on its part and not a legal implication arising out of something else done by that Chamber.

62. WHEN TO USE THE POWER? The second question which arises under this head is whether it can be said that this reserve power of Certification could be resorted to in the circumstances of this case. The interest of British India is, no doubt, a wide and vague term, but too much emphasis cannot be laid on the word "essential". Reference may be made in this connection to a passage in the speech of Mr. Montagu when that Act was being discussed in Parliament. The power, he suggested, should be exercised with the knowledge that it is being applied to a Nation which is being roused into self-consciousness and not as if the Governor-General was managing an estate. From the first session of this Assembly, it has always been jealous of safeguarding its rights under the new Constitution about Money Bills and

Money Grants. Your Excellency's attention is respectfully drawn to the debate in the Assembly in March, 1921, which arose on a motion or on a suggestion by the Government that the Indian Finance Bill should be referred to a Joint Committee of both Houses. The motion was withdrawn by the Government after discussion, on the ground that it would be an infringement of the rights of the Popular Assembly over Money Bills and Money Grants. The only substantial difference between the old Imperial Council and the new Legislature, so far as the Government of India is concerned, is this power over the purse, which has been granted to the Indian Legislature and more especially to the Assembly. The power which Your Excellency possesses of either restoring the Grant or certifying Money Bills, should, it is respectfully submitted, be used only on very rare occasions and only when justified by the most urgent necessity.

63. RETRENCHMENT IS POSSIBLE. The point of difference between the Assembly and Your Excellency's Government, as is well-known, arises out of the enhancement of the Salt Duty, which, as Your Excellency is aware, had remained stationary from 1903 onwards, except for a small rise in 1916 on account of the necessities of the War. It has been freely recognised that this source of revenue should not be resorted to except as one of ultimate resort, other resources failing. The sole ground on which this enhancement is sought to be justified on this occasion is the Budget deficit of a little over 3 crores. This should be balanced by further Retrenchment, granting that the balancing is called for in the best financial interests of the country. We still hold that Retrenchment is possible, and if Lord Inchcape Committee's recommendations in economising the expenditure in several directions pointed out by them are followed, there will be no deficit whatever.

64. UNSOUND AND UNPOPULAR. However, we venture to dispute the correctness of the position taken up by the

Government on this matter. It is unnecessary to repeat the arguments advanced on both sides. We shall content ourselves by stating that there is a wide and honest difference of opinion on both these points, which is enough to show that it cannot be seriously stated or be contended that it is essential in the interests of British India that the course resolved upon by the Government is the only one that should be adopted. It is admitted on all hands that the Salt Tax is unsound in theory, is wholly unpopular and is likely to rouse bitterness against the Government. While the balancing of the Budget may be conceded to be a desirable end, it must be recognised that it can be bought at too dear a price. While gaining by balancing the Budget, the Government of India will be losing its prestige and credit in other directions.

65. EDUCATING THE ELECTORATE. The Members of the Assembly were asked by Your Excellency's Government to educate the country on the justice of the action taken by the Government of India in this respect. He must be a bold man who, after helping the Government for two successive years in imposing extra heavy burden of taxation to the tune of nearly 30 crores, should seek to justify the imposing of further taxation on this important necessity of life. The deficit is only an apparent deficit, it is only a passing phase, and need not be seriously taken into account. Opinions differ on this point, and they differ honestly. Both Your Excellency and your august predecessor have recognised the valuable services rendered to Government at a critical juncture, both political and financial, by this Legislature, and to ask them to go to the country to educate the people on this question is neither just nor fair.

66. THE GOVERNMENT ARE WRONG. The country is just emerging out of a serious political conflagration, which has been set on foot since the days of the Rowlatt Act muddle. Can the Assembly, which is said to have acted rightly in March, 1922, in refusing to enhance the Salt Duty, be told in

March, 1923, that it is not acting honestly in refusing again to enhance the Salt Duty? It was the Government of India that was in the wrong in 1922, and it is the Government of India and the same section of members who were in it last year that are insisting on the Salt Duty this year.

67. AN APPEAL.—We request Your Excellency's earnest and particular attention to this aspect of the question, that the section of the members who recommended the enhancement of the Salt Duty, advocated it because of the fear that their interests would suffer if a surcharge is put on customs or on income tax. We are told that the articles of faith may change, but not so with reference to the people of this country. The records of the Government of India of 1903 bear testimony to the gratitude evinced by the people of this country, when the Salt Tax was reduced by Lord Curzon's Government, and Your Excellency's Government would be wiping away that chapter if Certification is resorted to. Your Excellency's attention is respectfully invited to the vigorous plea put forward by Sir Montagu Webb in the Legislative Assembly in his speech, and the warning given by the *Times of India* and the chorus of unanimity of condemnation from the Indian news papers deserve the most careful attention from Your Excellency.

The Anglo-Indian organs, which are now tendering advice to Your Excellency to resort to this course, are the very organs which advised Your Excellency's predecessor to enforce the Rowlatt Act in the face of universal condemnation and opposition. We apprehend that a serious political situation will be created by the enhancement of Salt Duty, which would weaken the Government and the Legislature, and would result in the people losing faith in the pledges already given. In conclusion, we respectfully request Your Excellency not to resort to the expedient of the certificate. Such a step would endanger the Reforms, antagonise the Intelligentsia of the country, cause consternation among the people, and would result in creating a sense of insecurity in the Nation.

68. THE SIGNATORIES. The memorial is signed by Messrs. T. V. Seshagiri Aiyar, Leader of the Democratic Party; T. Rangachariar and Jamnadas Dwarkadas, of the National Party; K. C. Neogy, C. S. Subramaniam, Venkatapati Raju, Bakshi Sohan Lal, Sambanda Mudaliar, Sardar Gulab Singh, Shaikh Abdul Majid, Girdharilal Agarwala, Bagde Mian Asjadullah, G. C. Nag, Kabiruddin Ahmad, B. H. Jatkar, J. Chaudhuri, Pyari Lal, Bhai Man Singh and Ahmad Buksh.

69. SIR MONTAGU WEBB, M.L.A. (Bombay, European), who in March, 1922, voted for the Salt Tax, has issued the following statement regarding the defence of the Government: The Legislative Assembly on the 20th March, 1922, rejected a proposal of the Finance Member to double the Salt Duty and the Government accepted this decision. The Budget deficit then was over £21 millions. This year the anticipated deficit is under two and a half millions, yet the Government again propose to double the Salt Duty (yielding over four millions in a full year). The Assembly rejected the proposal on 20th March, and yet a third time on 26th March, 1923.

70. The chief cause of deficits was the severe financial policy adopted by the Government in debiting the whole cost of the last Afghan War, *plus* the whole cost of the military efforts to subdue Waziristan, to current revenues and nothing to War Loans. The whole difficulty was the terribly heavy military expenditure after the Great War was over.

71. The temporary deficit of under two and a half millions need not have appeared in the Budget had the Government appropriated three and a half millions instead of only one million which they are taking from Gold Standard Reserve of over forty millions now lying largely inoperative in London.

72. The desirability of balancing the Budget is admitted on all hands. But this balancing must be effected by Retrenchment, not by calling up the country's last reserve in taxation.

73. Some few financiers in London would like to see more taxation imposed so as to provide a greater margin of revenue from which interest on loans could be paid. Merchants, Bankers and Financiers in India hold a view that India's credit is improving daily. The determination to balance the Budget by way of Retrenchment will do far more to aid India's credit than imposing that last reserve, the Salt Tax.

74. The Government rejected all alternatives suggested in the Legislative Assembly.

These alternatives were: (*a*) an export duty on petrol; (*b*) a small surcharge—half anna in the rupee—on taxes on income; (*c*) a small surcharge of half anna in the rupee on customs; (*d*) the re-imposition of the former 4 annas an ounce duty on silver.

75. The Salt Tax has for many years been almost universally unpopular, and has been very widely condemned, not only by the public, but by high officers of Government, because it is a tax on a vital necessity of life (like bread in England), the reduced consumption of which is likely to affect the health of the people. Thus:

"Government recognise that the tax is theoretically a bad tax"—Hon. Mr. C. A. Innes, Member for Commerce and Industries in the Assembly, 20th March, 1922.

76. Now-a-days, poor people contribute indirectly by way of Import Duties from birth till death—10 per cent on metal for cooking pots and agricultural implements, 3½ per cent to 11 per cent on loin cloths, 11 per cent on the dhoti, 15 per cent on odds and ends, 25 per cent on sugar, 120 per cent on matches, 2 annas 6 pies on a gallon of kerosine oil, etc.

77. Twelve months ago, after the Assembly had voted great increases in taxation, but had declined to double the

Salt Duty, India commenced the year 1922-23 with an uncovered deficit of Rs. 916 crores, *i. e.*, over £ 6,000,000. Yet His Excellency did not "certify" the doubling of the Salt Duty. He faced that unbalanced Budget with admirable equanimity.

78. It is now over thirty-three years since I came to India. I have during that time lived and worked in India, and for India; and I have to-day a great respect for and sympathy with those Indians who are striving for the upliftment and progress of their country, and for a larger and more responsible part in the Government of this great land.

79. At a meeting of the Indian Merchants' Chamber, Bombay, held on April 4th, Sir Basil Blackett, the Finance Member for the Indian Government, was present. The Chairman of the Committee (Sir Fazulbhoy Currimbhoy), in representing the views of his Committee, said: "I must state that we are extremely disappointed that the Government have not been able to take their courage in both hands and effect the necessary cuts in Military expenditure which would have enabled them to avoid the unfortunate Salt Tax controversy."

"This Chamber has heard with dismay of the restoration of the Salt Tax by the process of Certification."

80. "As a constitutional issue the restoration of the Salt Tax by His Excellency the Viceroy must be regretted as an unfortunate blunder in so far as it has weakened, and, in some cases, finally destroyed, the faith which the people of India put in the Declaration of August, 1917, and in the desire of His Majesty's Government to see this country gradually advance through the Reforms granted."

81. "I am sorry to remark that His Excellency has been served by his advisers very badly. It is no use arguing that such action is taken 'in the interests of India' either immediate or ultimate."

82. DR. GOUR, M.L.A., in his first Budget speech in the Assembly, raised a question of constitutional law which has never been settled. The point raised was that the Financial Bill is merely an appendix to the Budget, and the House that passed the Budget must be the sole authority to pass the Finance Bill.

83. *New India*, 11TH APRIL.—Statement of Viceroy appended to certificate. The Salt Tax is the least likely to press heavily on the poor. There has been a considerable fall in the prices of food grains. The mill laborer expends only two-fifths of one per cent, of the 56 per cent of his total income that he expends upon food, upon salt.

84. Reply of *New India*—Following the fall in prices, a fall in wages has taken place also. The Ahmedabad weavers are already on strike against the 20 per cent reduction. A fall in the agricultural wages will follow that in the towns and bring about a situation worse than the present one.

The average annual income of an Indian is Rs. 50 per annum, and after taxation, he has a monthly income of Rs. 3-10-0. To individuals in such a state of poverty every pie counts.

Third class railway fares have, in certain cases, increased by more than 150 per cent between 1921 and 1922. Postal duties have been doubled. There cannot be any doubt that the limit of taxation has been reached.

CONDITION OF THE PEOPLE

1. Controversy in Assembly.
2. Views of ex-Lieutenant-Governor.
3. Sir Charles Elliott, K. C. S. I.
3a. Mr. Wm. Digby, C. I. E., Income per Head.
4. Variations in Provinces.
5. Income Halfpenny per Head per Day.
6. Dr. Gilbert Slater's Investigation.

7. Family Expenditure.
8. Textile Wages in Madras.
9. Postal Wages in Madras.
10. Mrs. Besant's Estimate.
11. Wages in various Districts.
12. Wages in Woollen Mills.
13. Wages and Prices.
14. Agricultural Population.
15. Migration of Agriculturists.
16. Income per Head to-day.
17. Cost of living Budget.
18/19. Money-lenders.

1. Considerable controversy rages between the official and non-official elements regarding the condition of the people of India. During the debate in 1922 on the Budget in the Legislative Assembly, the Official Members queried the figures of National Income put forward by the Indian Members and contended that the true test was that the Famine Relief statistics showed a considerable improvement in the condition of the people and, therefore, the imposition of the enhanced Salt Tax would not inflict serious hardship.

2. It has, however, been admitted for years by persons of varying opinions that the bulk of the people of India live at a very low standard of life. A former Lieutenant-Governor has said: "I do not hesitate to say that half our agricultural population never know from year's end to year's end what it is to have their hunger fully satisfied."

3. The above statement was made by Sir Charles Elliott, K. C. S. I., when Settlement Officer of the North-Western Provinces. He went on to say: "The ordinary phrase in these parts, when a man asks for employment, is that he wants half a seer of flour; and a phrase so general must have some foundation. I believe that it has this much truth in it, that 1 lb. of flour is sufficient, though meagre, sustenance for a non-laboring man. That a laboring adult can eat

2 lbs., I do not doubt; but he rarely, if ever, gets it." "But take the ordinary population in a family of five, consisting of a father, mother and three children. The father will, I would say, eat a little less than 2 lbs., the mother a little more than 1 lb., the children about 3 lbs. between them. Altogether 7 lbs. to five people is the average which, after much enquiry, I am inclined to adhere to."

3a. Mr. Wm. Digby, C. I. E., in his book *Prosperous British India*, estimated the average annual income of the agricultural population at Rs. 17-0-0 or £ 1-2-2 per head. He estimated the non-agricultural income at Rs. 24-11-0, or £1-12-11 per head.

4. This estimate showed considerable variation in the estimated income of each of the Provinces. Agricultural ranging from 15 *s*. 5 *d*. in Madras, to £ 1-15-8 in Assam. Non-Agricultural, ranging from 9/4¾ in Burma to £ 3-3-10 in Bombay.

5. Mr. Digby after making deductions for the income of the wealthy classes, estimated the average annual income in 1900 at 13/11½, or less than one half-penny per head per day

6. A more recent investigation was made by Dr. Gilbert Slater and the Rev. D. G. M. Leith, and the results were given in a letter dated 22nd January, 1919, to the *Madras Mail*. They say:

"We took the prison diet for an adult male prisoner doing hard labor as a basis, and purchased in a bazar the commodities specified in such quantities as they are ordinarily purchased by manual workers. We then weighed out the purchases and made the necessary calculations to ascertain the money which the Madras worker must spend to get the same diet as in prison.

The result was as follows:

	Prison daily Allowance oz.	Bazar Price. As.	Ps.
Flour (Ragi, cholum or cumbu) ...	15	1	0
Rice	5		4 ½
Dhal	5		6 ⅛
Vegetable	6		6
Oil	½		2
Tamarind	½		½
Salt	¾		⅛
Curry powder	¼		1 ½
Onions	½		½
Total ...		2	9

A daily cost of 2 annas 9 pies is equal to Rs. 5-2-6 per month of thirty days. Allowing off the odd annas and pies, as the laborer might buy vegetables, say, a little more cheaply, we have left Rs. 5 as a reasonable allowance for food for a man doing manual labor.

7. For a family (man, wife and two children) the investigators made the following estimate of monthly expenditure:

	Rs.	A.	P.
Man, Food for month	5	0	0
Wife, Do	4	0	0
Two Children, Do	5	0	0
Rent (repairs, etc., and ground-rent for hut)	1	0	0
Clothing	0	8	0
Fuel	1	0	0
Miscellaneous	0	8	0
Total ...	17	0	0

At 1 s. 4 d. to the Rupee this represents an expenditure of 22 s. 8 d. per month.

8. According to the testimony of Mr. B. P. Wadia, President of the Madras Labor Union, the average pay in 1918 of a textile factory worker is 20 s. 0d. to 22s. 6d. per

month. Wages due at the end of each month are not paid until the 15th of the following month.

9. In 1917, the wages of a Postal Runner in Madras is given in the Statistical Abstract (Cmd. 1778) at Rs. 7-7, and for Postmen Rs. 14 ½. In 1920, they had increased to Rs. 12 ¼ and 21 1/5 respectively. It will thus be seen that in 1917, these wages were much below the minimum standard of Dr. Slater.

10. Mrs. Besant in *India—a Nation*, states that the average income per head in India is Rs. 27. (1917)

11. Wages as given by Mr. B. P. Wadia, President, Madras Labor Union, in his statement submitted to the Joint Committee of the two Houses of Parliament, presided over by Lord Selborne, on August 12th, 1919 :

JUTE MILL OPERATIVES. JUNE, 1918

					s.	*d.*
Carders	... Rs.	9	per month	=	12	0
Rovers	... „	12	„	=	16	0
Spinners	... „	15¾	„	=	21	0
Shifters	... „	11	„	=	14	8
Winders	... „	18	„	=	24	0
Beamers	... „	22	„	=	29	4
Weavers	... „	27	„	=	36	0
Maistries	... „	30	„	=	40	0
Coolies	... „	13	„	=	17	4

Bombay Cotton Mill Operatives (inclusive of a War Bonus) per month:

		Rs.	A.	P.		*s.*	*d.*
Drawer (card room)	...	23	6	0	=	31	2
Reeler	...	17	4	0	=	23	0
Warper	...	40	8	0	=	54	0
Rover	...	24	1	0	=	32	1
Doffer	...	12	10	0	=	16	10
Weaver	...	46	15	0	=	62	7

12. Monthly Wages (January) in a Woollen Mill in Northern India in rupees and decimals of a rupee in 1921.

STATISTICAL ABSTRACT (cmd. 1778)

		Rs. A.		£.	s.	d.
CARD ROOM						
Head Maistry	...	76·0	=	5	1	4
Card Cleaver	...	29·0	=	1	18	8
Spare Hands	...	14·5	=		19	4
MULE ROOM						
Head Maistry	...	91·0	=	6	1	4
Minder	...	26·03	=	1	14	8½
Spare Hands	...	14·8	=		19	8 4/5
WEAVING DEPARTMENT						
Maistry	...	57·6	=	3	16	9½
Healder	...	23·8	=	1	11	8
Weaver	...	26·2	=	1	14	11
FINISHING DEPARTMENT						
Bleaching Maistry	...	43·1	=	2	17	5½
Dyer	...	17·5	=	1	3	4
Finishing Man	...	16·3	=	1	1	8
ENGINEERING SHOP						
Boiler Maistry	...	40·6	=	2	14	1½
Engine Man	...	52·0	=	3	9	4
Oilman	...	17·1	=	1	2	9½
Boiler Man	...	21·7	=	1	8	11
Carpenter	...	21·9	=	1	9	1
Blacksmith	...	30·1	=	2	0	1½
Fitter	...	25·2	=	1	13	7

13. The following is a comparative statement showing advance of wages of a Postal Servant in Madras : of a Weaver, a Spare Hand and an Oilman in a Woollen Mill in Northern India, with the advance in price of Rice for the years 1910 and 1920, based on the figures of the Statistical Abstract (cmd. 1778).

	1910	1923
Postman	100	196
Weaver	100	188
Spare Hand	100	208
Oilman	100	214
Rice	100	192

14. Although the above table shows that advances in wages for these workers rose proportionately with the cost of Rice, it must be remembered that Mill Operatives and Public Administration of all kinds absorb only 3·63 per cent of the working population.

The total working population (cmd. 1778) is 148,885,003.

Population (working) other than Agriculture is as follows:

Mining	Rs. ..	308,449
Industry	...	17,515,230
Transport	...	2,394,882
Trade	...	8,101,406
Public Force	...	1,069,424
Administration	...	970,521
Professions	...	2,253,639
On Incomes	...	206,070
Miscellaneous	...	9,864,950
	Total ...	42,376,122
	Agriculture ...	106,508,881
	Rs...	148,885,003

15. Out of a total population of 313 ½ millions, 226 ½ millions are supported by agriculture. (According to the Census of 1911.)

As *The Imperial Gazetteer*, III, 2, points out, a "considerable landless class is developing which involves economic danger, because the increase is most marked in Districts where the rural population is most congested, or in Provinces where the rural population is most congested, or in Provinces in which there is a special liability to periodic famine".

Into Calcutta 1·4 millions migrate annually for industrial employment, the great majority seeking only temporary work for the cold weather; some stay longer, returning home with their savings, their families remaining in the villages.

16. The non-official estimated income in 1850 was *2d.* per head per day; officially estimated income in 1882 was 1½*d.* per head per day. Mr. Digby estimated it at ¾ *d.* per

head per day in 1900. Allowing for rise in prices, income to-day at highest figure is *2d.* per day, Rs. 44 per year. But this leaves the raiyat in as bad a position as he was in 1900 at the most favorable estimate and assuming that the whole of the extra taxation has been borne by the richer classes.

17. In a paper read before the East India Association (Bombay Branch) by the late Mr. Dadabhai Naoroji in 1876, the following estimate was given as the lowest absolute scale of a common agricultural laborer in the Bombay Presidency for *food* alone:

	Rs.	A.	P.
1 ½ lbs. Rice per day at Rs. 2 to Rs. 2-8-0 per Bombay maund of 40 lbs. ...	28	8	0
Salt, including waste, about 1 oz. per day...	1	0	0
¼ lb. Dhal ...	9	0	0
Vegetables ...	0	0	0
Food-oil ...	5	0	0
Condiments, chillies, etc., ...	0	0	0
Tobacco ...	5	0	0
Rs.	48	8	0

In 1873, the Statistical Abstract gives the Index Number of Retail Food Prices at 100, and in 1920, the Index for Rice at 320.

18. It is still true to say that large numbers of the raiyats are in the hands of the money-lenders, and that they are unable to obtain a sufficient income to maintain themselves. The general effect is seen by a study of the vital statistics.

19. In the United Provinces, peasants with 5 ½ acres, one pair of oxen and a plough made a profit over expenses of Rs. 45-14-0 a year: average family five: per head Rs. 9-2-10 nearly, for everything. Another with 17 acres has a deficiency of Rs. 15.

Mr. Alexander, Collector of Etawah, says that in ordinary years the cultivators live on advances from money-lenders for four months of the year. In a village near Cawnpur with thirty-five families of cultivators, 171 persons, there was a balance of Rs. 2590 over expenses of cultivation: for food alone Rs. 3678 were necessary, so Rs. 1088 was the deficiency. (Annie Besant, *India—A Nation*)

Finance Notes

1. "India Must be Bled."
2. Land Revenue and Home Charges, 1900–01.
3. Do. do. 1919–20.
4. Do. do. 1922–23.
5. Position the Same.
6. Other Remittances.
7. Sir Geo. Wingate on Indian Taxation.
8. Amount of Private Remittances.
9. Thirty-four days' food.
10. Origin of Debt.
11. Increase under Victoria.
12. Debt in 1900
13. Debt in 1919–20.
14. Exchange. Conversion Rate.
15. Do. Methods of Accounting.
16. Do. Non-Commercial Revenue Heads.
17. Do. Rates.

18–24. Gold Standard Reserve.

1. In a Minute of 1875, the late Marquis of Salisbury wrote: "As India must be bled, the lancet should be directed to those parts where the blood is congested, or at least sufficient, not to those which are already feeble for the want of it."

2. Mr. Romesh Dutt, C. I. E., writing in the Preface to his *Economic History of India, Victorian Age*, says: "The total Land Revenue of India was 17½ millions in 1900-01. The total of Home Charges in the same year came to 17 millions. It will be seen therefore that an amount equivalent to all that is raised from the soil, in all the Provinces of

India, is annually remitted out of the country as Home Charges."

The 17 millions remitted as Home Charges are spent in England (i) as interest payable on the Indian Debt, (ii) as interest on Railways, and (iii) as Civil and Military Charges.

3. The Statistical Abstract (cmd. 1778) gives the Land Revenue for 1919-20 as £ 22,609,943, and the Net Expenditure of the Government of India in England as £ 21,791,489.

4. The East India Budget (1922-23) gives the Land Revenue at Rs. 31,97, 48, 469 and the Expenditure in England at Rs. 30,96,45,093 (at 10 rupees to the £, 31,970,000 and £ 30,906, 000 respectively).

5. It will thus be seen that the position to-day is the same as twenty-one years ago, and practically the whole of the charge on the cultivators of the land is remitted to England.

6. An additional sum of several millions is sent in the form of private remittances by European officers drawing their salaries from Revenues.

7. Sir George Wingate (*A Few Words on Our Financial Relations with India*) points out: "Taxes spent in the country from which they are raised are totally different in their effect from taxes raised in one country and spent in another. They are an absolute loss and extinction of the whole amount withdrawn from the taxed country."

8. It is estimated that the private remittances, *plus* the loss on the balance of trade, accounts for a further £35,000,000 a year.

9. Mr. Digby calculated that the drain was responsible for taking from every family in India 34 days' food.

10. Again quoting Romesh Dutt: "A very popular error prevails in this country that the whole Indian Debt represents British Capital sunk in the development of India. When the East India Company ceased to be rulers of India in 1858, they had piled up an Indian Debt of 70 millions. They had in the

meantime drawn a tribute from India financially—an unjust tribute—exceeding 150 millions, not calculating interest. They had also charged India with the cost of Afghan Wars, Chinese Wars, and other wars outside India. Equitably, therefore, India owed nothing at the close of the Company's rule: her Public Debt was a myth; there was a considerable balance of over 100 millions in her favor out of the money that had been drawn from her."

11. "Within the first eighteen years of the administration of the Crown the Public Debt of India was doubled. It amounted to about 140 millions in 1877, when the Queen became Empress of India. This was largely owing to the cost of the Mutiny Wars, over 40 millions sterling, which was thrown on the revenues of India. And India was made to pay a large contribution to the cost of the Abyssinian War of 1867.

12. Between 1877 and 1900, the Public Debt rose from 139 millions to 224 millions. This was largely due to the construction of Railways by Guaranteed Companies or by the State, beyond the pressing needs of India and beyond her resources. It was largely due to the Afghan Wars of 1878 and 1897. The history of the Indian Debt is a distressing record of financial unwisdom and injustice; and every impartial person can reckon for himself how much of this Indian Debt is morally due from India."

13. According to the Statistical Abstract (cmd. 1778) the amount of Debt was £ 465,754,244 for 1919-20.

14. The following particulars are taken from the Explanatory Memorandum of the Under-Secretary of State for India (cmd. 1766): Exchange. Conversion Rate: Since the 1st April, 1920, sterling transactions have, for the purpose of the accounts and estimates, been converted into rupees on a uniform basis of Rs. 10 to the £. The actual market value of the rupee, however, has varied considerably from that rate, *e. g.*, the average rate during 1921-22 was slightly above

Rs. 15 to the £ and the average rate assumed (for the purpose of the Budget) for 1922—23 is Rs. 15 to the £. As a result, the rupee figure for any item of English expenditure (as converted at Rs. 10 to the £) does not correctly represent the actual charge incurred in making that expenditure. For instance, when a disbursement of £ 1000 is made in England, the amount shown in rupees in the accounts as a disbursement in England will be Rs. 10,000. But (at the rate of Rs. 15 to the £, assumed for 1922—23) a disbursement of £1000 represents a real charge of Rs. 15,000. The balance of Rs. 5,000 is treated as a disbursement on account of exchange and for accounting purposes is regarded as "a disbursement in India". The procedure by which this is effected is described in the following paragraph.

15. "Method of Accounting.—All exchange credits or debits arising in respect of remittances and cognate transactions, owing to the remittances, etc., having been effected at rates differing from the conventional 'conversion rate' are recorded in the first instance under a Suspense Head, 'Exchange on Remittance Accounts'. The amount of credits or debits attributable to the revenue and capital accounts, in respect of the net outlay incurred in England, is then transferred to the respective accounts, these transfers being made monthly on the basis of the average telegraphic transfer rates (Calcutta on London). Of the amount transferred to revenue account, the portion which relates to net outlay in England on commercial services (Railways, Irrigation, and Posts and Telegraphs) is carried to the respective heads and the balance is shown under the General Revenue and Expenditure Head, 'Exchange'. (See next Paragraph.) After making the above transfers to the several heads, the balance outstanding in the Suspense Account is normally held against the possibility of opposite results in succeeding years. (It is estimated that at the end of 1922-23, a net credit balance of Rs. 60 lakhs will be held in suspense on this account.)

16. "Non-commercial Revenue Heads. The net exchange debit in respect of non-commercial revenue heads, which is entered in the accounts under the single Revenue and Expenditure Head 'Exchange,' was as follows, in the three years under review:

			Rs.
1920–21.	(Accounts)	...	3,25,39,526
1921–22.	(Revised Estimate)	...	8,49,92,000
1922–23.	(Budget)	...	9,95,50,000

17. Rates of Exchange for the three years under review. The average of the daily rates (Telegraphic Transfer, Calcutta on London) for 1920-21 was Rs. 11·6183 to the £. The respective rates assumed for the purpose of compiling the Estimates, have been:

For the Budget Estimate of 1921-22, Rs. 12·0 to the £.
For the Revised Estimate of 1921-22, Rs. 15·0466 to the £.
For the Budget Estimate of 1922-23, Rs. 15·0 to the £.

18. Gold Standard Reserve. It was decided that, with effect from 1st April, 1900:

(i) The net profit on the coinage of new rupees should not be treated as revenue, but should be paid to a special reserve (now called the Gold Standard Reserve);

(ii) The Reserve should be held mainly in sterling securities, the interest being added to the Reserve as it accrued.

From July, 1906, a portion of the Reserve was held in India in Rupees in order that the Government of India might be in a favorable position for meeting heavy demands for the issue of rupees without delay in times of pressure.

19. In 1907, it was decided that half of the net profit on coinage from 1st April, 1907, should be used to supplement the funds available for capital expenditure on Railways, the other half of the profit and the whole of the interest receipts being added to the Reserve as before. This arrangement was, however, shortly afterwards suspended and, in June, 1912, it was decided that interest on investments and profits on coinage,

except profits retained in India for building up the rupee branch of the Reserve to the amount of 6 crores, should be held in gold at the Bank of England until the amount so held reached £ 5,000,000; no portion of the profit was to be used for Railway purposes until the total *sterling* assets of the Gold Standard Reserve amounted to at least £ 25,000,000.

20. The Royal Commission on Indian Currency and Finance, which reported in February, 1914, made certain recommendations bearing on the Gold Standard Reserve. Decisions on some of these recommendations were not taken owing to the outbreak of War; but in August, 1915, the silver branch of the Reserve was abolished, in accordance with the Royal Commission's proposal, and the 6 crores of rupees held therein were exchanged for a corresponding amount in gold (£4,000,000) from the Paper Currency Reserve. During the latter part of 1914, £3,450,000 in gold was taken from the Gold Standard Reserve to meet Reverse Bills in London, and the balance of gold remaining was transferred to the Paper Currency Reserve in 1916.

Since 1915, in addition to such profit on coinage as has accrued, the profit or loss arising on the remittances of funds for the Gold Standard Reserve has also been credited or debited to that Reserve.

21. The Indian Currency Committee of 1919 made the following recommendation in respect of the Gold Standard Reserve:

> (i) That no limit of amount should yet be fixed; (ii) that all profits accruing on the coinage of rupees should be credited to the Reserve; (iii) that gold should, under present conditions, be held in the Paper Currency Reserve rather than in the Gold Standard Reserve. When practicable, the Gold Standard Reserve should contain a considerable proportion of gold, of which not more than one-half should be held in India; (iv) in the meantime, the Reserve should be kept as liquid as possible by the holding of securities with early

dates of maturity; and (v) the final aim should be to hold no investments with maturities of more than 12 months.

22. The Finance Member announced to the Indian Legislative Assembly on the 2nd and 16th September, 1920, that from 1st April, 1921, the interest on investments in the Gold Standard Reserve, when that Reserve reaches £40,000,000, would be appropriated in reduction of the Rupee securities created for the special purpose of the Currency Reserve, and that the profits on the Rupee coinage, when such again arise, would also be devoted to this end.

23. The total receipts from profit on coinage, interest and discount, and profit by exchange up to 31st March, 1922, were as follows:

		£
Profits on Coinage—1900-01 to 1921-22	...	28,573,606
Interest and Discount	...	14,976,153
Profit by Exchange	...	194,917
		£ 43,744,676

24. "The net profit on the Gold Standard Reserve Investments up to 31st March, 1922, is shown below:

			£
Estimated value on 31st March, 1922		...	40,140,132
Cost price of securities held on 31st March, 1922		...	39,445,694
Gain through Appreciation		...	694,438
Loss on sale and redemption of securities		...	1,734,288
Net loss		...	1,039,850
Miscellaneous charges		...	20,574
Total of losses and charges		...	1,060,424
Interest and Discount received up to 31st March, 1922 ...	£ 14,976,153		
Profit by exchange ...	194,917	...	
			15,171,070
Net Profit on Investments		...	14,110,646"

Military Expenditure (Net)

Year		£.		£. (*)
1909–10	...	19,112,323	...	4,675,090
1910–11	...	19,265,042	...	4,820,908
1911–12	...	19,558,580	...	4,943,903
1912–13	...	19,565,466	...	5,111,118
1913–14	...	19,896,113	...	5,154,749
1914–15	...	20,434,915	...	4,822,715
1915–16	...	22,261,353	...	4,825,831
1916–17	...	21,990,811	...	5,373,474
1917–18	...	29,043,141	...	6,033,130
1918–19	...	44,480,238	...	4,017,902
1919–20	...	50,431,459	...	6,546,364

Expenditure on Famine Relief

		£.
1914–15	...	279,885
1915–16	...	74,695
1916–17	...	187,617
1917–18	...	3,765
1918–19	...	307,767
1919–20	...	783,103

Salt Tax

CONSUMPTION OF SALT

INDIAN MAUND = 82·2857 lbs.

Years		Maunds		Tons
1907–08	...	42,726,712	...	1,569,553
1908–09	...	43,618,196	...	1,602,304
1909–10	...	43,838,307	...	1,610,387
1910–11	...	41,165,988	...	1,512,220
1911–12	...	48,709,113	...	1,789,314
1912–13	...	48,910,771	...	1,796,722
1913–14	...	49,967,221	...	1,835,530
1914–15	...	52,472,207	...	1,927,550
1915–16	...	48,675,810	...	1,788,091
1916–17	...	54,663,944	...	2,088,063
1917–18	...	56,750,706	...	2,084,720

(*) The figures in the third column are the total Army charges in England, and are included in the amounts given in Column II.

Salt Tax Revenue

Year	Duty on Import £	Excise on Local Manufacture	Total (All Sources)
1915–16	914,320	2,361,740	3,647,587
1916–17	1,002,497	3,385,930	4,826,260
1917–18	824,530	3,982,897	5,499,487
1918–19	835,599	2,945,454	4,277,989
1919–20	1,001,976	2,494,938	3,831,954

The Total (All Sources) includes Inland Customs, mainly Bombay, Sales of Government Salt, and Miscellaneous Receipts.

The charges for collection were:

		£
1915–16	...	376,722
1916–17	...	398,186
1917–18	...	427,457
1918–19	...	553,100
1919–20	...	540,681

Vital Statistics

Year 1919	Birth Rate per 1000	Death Rate per 1000
Bengal	27·50	36·40
Bihar and Orissa	30·40	40·00
United Provinces	32·39	41·69
Panjab	40·30	28·34
Delhi	45·80	42·00
N.-W. Frontier	28·60	28·56
Burma	29·89	31·09
Central and Berar	34·31	43·24
Assam	30·52	50·09
Ajmere-Merwara	30·04	28·67
Coorg	26·35	35·36
Madras	25·50	27·20
Bombay	27·90	32·53
Total 1919:	30·24	35·87

Note

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Thus, Rs. 3-4-6 reads "3 Rupees 4 Annas 6 Pies."

1 Lakh of Rupees = Rs. 1,00,000
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In writing, say:

Rs. 29·23 crores = 29 crores 23 lakhs.

At 1*s*. 4*d*. to the rupee:

1 Lakh of Rupees - £6,667
1 Crore of Rupees = £666,667

Weights:

1 Maund = 82 lbs.
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2. Under such favourable atmosphere, attempts were made, immediately after the termination of the strike, to persuade the then existing unions to combine together and organise a new central union. The last of the series of meetings held for this purpose which was attended by over forty representatives of the workers (many of them representing the old unions), was held on the 31st December 1925 in the Damodar Thackersey Hall at which it was announced that the following nine unions of the textile workers had agreed to amalgamate themselves with the new organisation :—(1) the Madanpura Textile Workers' Union; (2) the Bombay Textile Workers' Union; (3) the Sat-Rasta Girni Kamgar Sangh; (4) the Kurla Girni Kamgar Mandal; (5) the Dadar Mills Union; (6) the Tardeo Girni Kamgar Sangh; (7) the Chinchpokli Girni Kamgar Sangh; (8) the Poibavadi Labour Union and (9) the Fergusson Road Kamgar Sangh. The following resolution, among others, was passed by the meeting unanimously :—

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OFFICE-BEARERS AND CONSTITUTION OF THE UNION.

3. At the meetings of the members of the Union—one held at Madanpura and the other at Kurla—the following persons were unanimously elected as office-bearers :—

President :—Mr. N. M. Joshi, M. L. A., J.P. *Vice-Presidents :*—Messrs. F. J. Ginwala, M.A., L.L.B., M.L.C., R. S. Asavale, M.L.C., J.P., S. K. Bole, M.L.C., J.P., S. H.

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4. The draft Constitution of the Union was submitted to the Managing Committee and was adopted by it with a few modifications. The amended Constitution was subsequently adopted by the General Body in its two meetings held on May 29 and July 3 at Madanpura and Kurla respectively and came into operation from the latter date.

MEMBERSHIP.

5. In the very first month the Union secured 5,000 members. This strength went on increasing till it reached the figure of a little over 9,000. There was a slight setback towards the end of the year but the position again improved when the year actually closed. It may be stated here that this figure of 9,000 represents the strength as is actually seen on the roll which does not contain the name of a single member who has not paid at least for a few months. If, however, an average effective membership is to be ascertained, it can be done by referring to the total amount of subscription collected during the year, which stands at Rs. 17,333-5-9. Add to this the arrears of Rs. 289-4-0 for 1926 received in January 1927 from the different Centres and the total collections stand at Rs. 17,622-9-9. This gives an average effective paying membership of nearly 6,000. The number of mills from which the membership came was about 60; but a substiantial membership came only from about 15 mills and others had only a very small membership, varying between 100 and 10.

WORKING OF THE UNION.

6. Before narrating the activities in which the Union was engaged during the period under report, it may be well to describe the machinery of working the Union. A mill is considered as the unit of the Union; and each

mill with a fair membership has its own Mill Committee consisting of the President, General Secretary and Secretary of the Centre to which the mill is attached and the representatives of the members of that mill elected in proportion of one representative for each 50 members. The Mill Committee elects its own Superintendent from among the workers of that mill. The Union has started five Centres at different mill localities for the purpose of facilitating the work of the Union. They are at :— (1) Madanpura ; (2) Kurla ; (3) Delisle Road ; (4) Damodar Hall, Parel ; and (5) Chinchpokli. To each Centre are attached the mills situated near it and the Centre Committee for each Centre has been provided for by the Constitution consisting of the President, General Secretary and the representatives of the workers from each mill attached to the Centre in proportion of one representative for each 100 members. Each Centre elects its own Secretary who also becomes the Secretary of the Union. The functions of the Mill and Centre Committees are purely advisory ; they consider questions affecting the Centres and mills concerned, their growth and development and the arrangement for collections, the complaints and the like. But their main object is to create interest in the minds of the workers themselves in the work of the Union and sustain it as far as possible.

7. The affairs of the Union, financial and otherwise, are conducted and controlled by the Managing Committee consisting of the office-bearers of the Union and the workers' representatives elected in proportion of one representative for each two hundred members from each mill. It is thus clear that the Managing Committee is almost entirely a workers' body—there being, out of the total number of 50 members, only eight non-workers on it—which manages the affairs of the Union. It meets once a month and transacts all business connected with the

Union. A monthly statement of accounts, of the receipts and disbursements is submitted to the Managing Committee for approval.

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at the Centre Committee was 65 per cent., and at the Mill Committees 64 per cent. The Madanpura Centre Committee held 2 meetings and the Madanpura Mill Committees met 3 times.

COMPLAINTS.

10. The period under report being the first year of the Union's career, the Union could not undertake, on financial grounds, any benefit schemes for its members. It directed its attention mainly to the task of redressing the workers' grievances. During the period under report the Union received 260 complaints of which 89 became successful, 50 unsuccessful, 22 were compromised, 77 were dropped, and 26 were pending when the year closed. Thus the percentage of successful and unsuccessful complaints and those compromised, to the total number of complaints disposed of, comes to 37·4 and 21 and 9·2 respectively. These complaints were received from 54 out of about 80 mills in Bombay. The largest number of complaints received from one single mill was 62 and the smallest number was only 1. A fairly large number of complaints was received from about ten mills and the other mills sent only a few complaints. But it should not be supposed that the mills sending a large number of complaints treat their labour worse than those from which a small number of complaints was received. The disabilities and grievances of the workers are more or less common to all the mills; and, so far as the Union is concerned, the number of complaints received was in proportion to the Union membership from each mill. A solid membership brought a large number of complaints and a meagre membership brought only a few complaints. It must be also stated in fairness that the authorities of mills having fair Union membership treated the Union with greater courtesy and sympathy in dealing with the complaints than those the membership in whose mills was small. The total number of complaints received

during the period under report are given below with their results :—

A statement showing the complaints of the mill operatives received by the Union, their nature and results.

Nature of complaints.	Total No. of complaints.	Successful.	Unsuccessful.	Compromised.	Dropped or cancelled.	Pending.
1. Dismissal	66	27	18	...	17	4
2. Refusal to re-employment	17	3	8	...	6	...
3. Reduction in rates of wages	11	1	2	1	6	1
4. Withholding of wages.	63	23	3	...	11	16
5. Fines	37	1	14	17	5	...
6. Strikes	5	1	...	3	1	...
7. Assaults	8	3	...	...	5	...
8. Compensation for Accidents	15	4	...	...	10	1
9. Gratuity and Provident Fund	8	3	1	...	4	...
10. Breaches of the Factories Act	2	1	...	...	1	...
11. Miscellaneous ...	28	12	4	1	11	...
Total ...	260	89	50	22	77	22

11. In its representation to the Indian Tariff Board, the Union has dealt with exhaustively with the nature of punishments inflicted upon the workers and the various ways in which the workers are penalised, and has, therefore, no desire to repeat what had been stated there. The

Union, however, desires to give a few details of the complaints under different heads :—

(*a*) *Dismissals* :—The complaints for dismissals came from 31 mills and the Union found the greatest difficulty in getting re-instated the dismissed workers. In the absence of any legal protection in such cases, the Union had to use the only method that it has at its disposal, *viz.*, that of persuation. Correspondence in such cases had been protracted and, owing to pecuniary difficulties, the workers could not afford to wait beyond a period of a week or a fortnight at the most, or until the matter was settled one way or the other. They had to seek employment somewhere else. This is why so many as 17 cases had to be dropped. Of the 18 unsuccessful complaints, the Union, although it could not secure re-employment for the complainants, succeeded, in the case of 5 workers, in securing their wages and, in the case of 2 workers, their provident fund which was lying with the mills. The Union is indebted to the Managements of the Swadeshi mill, Kurla, Khatav Makanji, Simplex, E. D. Sassoon, Rachael Sassoon, Bradbury, Sassoon Silk Alliance, Premier and Victoria mills for having re-employed some of the dismissed workers.

(*b*) *Refusal to Re-employment* :—Closely allied to the complaints of dismissals, are the cases of refusing to re-employ the workers. In the majority of the 17 cases received by the Union the workers had gone home either on account of illness or other domestic difficulties after taking the permission of either the head-jobbers or jobbers; but in most of these cases the leave sanctioned was denied and the workers were refused re-employment. Some of such unfortunate workers had put in 7, 10, or even 25 years' service; but the consideration of their long service did not weigh with the mill authorities who refused to re-employ them even after vacancies occured in their mills and brought to their notice. A Manager wrote to the Union in connection with one of such complaints that it was the business of the mill to engage workers and that the Union had nothing to do with it; It was on account of such attitude that the Union succeeded in re-engaging only three of its members in the Simplex, Sassoon Silk and Khatav Makanji mills.

(c) *Reduction in rates or wages*:—Two of the complaints received under this head were of an individual character; one was dropped at the instance of the complainant and the other compromised. In the latter case, the complainant's monthly fixed wages were reduced from Rs. 90 to Rs. 60. As there was some difference in the versions of the mill Manager and the complainant as regards the notice, the Union advised the latter to recive his due pay which the Manager sent to the Union—the amount being Rs. 87-10-9. After the introduction of silk in the Swadeshi mill, Kurla, the weavers began to get less wages. The Union brought the matter to the notice of the Manager who agreed to pay the weavers their former average wages for two months during which they would be accustomed to work in silk without loss. In the Madhavji Dharamsey Mill, the jobbers' wages were reduced by 4%. Although the Union did not succeed at the time to get the cut restored, it understands that after some time the jobbers began to get Rs. 15 each more for every Rs. 54 of their wages. The Manager of the Emperor Edward Mill denied that the rates had been reduced in his mill. The matter, however, soon came to a crisis which resulted in a strike of the weavers early this year. During this strike it came to the notice of the Union that the reduction in rates which the manager had denied, had actually taken place. Of the other complaints dropped, one was found to be false.

(d) *Withholding of wages*:—Complaints under this head came from not less than 31 mills. This shows that the evil of withholding earned wages of the workers is very common in Bombay mills. Most of them have a rule that the wages of a worker demanded after a certain period, generally three or six months, shall be forfeited. Another ground on which the wages are forfeited is that of absence without leave. Now, in the first place, there is no regular system of granting leave to the workers. Whether to allow the workers to remain absent or not depends mostly on the head jobbers and jobbers; and in many cases leave, if asked for, is not granted. Secondly, the worker is deprived of his wages, and at times even of his employment, if he remains absent without leave on the plea that he failed to give notice; but the mills dismiss workers without notice and they do not entertain the workers' plea for notice and their demand for one month's pay in lieu of such notice. The worker, therefore, stands to lose both ways: his wages are forfeited if he remains absent without leave and he is liable to be dismissed any day without receiving any notice from the mills. The Union made every endeavour to fight this rule in all possible ways and secure for the workers their earned wages. During the period under report, the Union instituted eight cases in the law court and succeeded in securing either full or part wages of the complainants which had been withheld. In 25 cases, the Union succeeded in securing such wages by ordinary method of negotiations with the mill authorities. The total amount received by the workers through the court came to Rs. 180. In all 55 workers got their wages through the efforts of the Union. Action could have been taken on the unsuccessful complaints also; but the complainants failed to come to the Union and, therefore, they had to be dropped.

(*e*) *Fines* :—(*i*) Of the 37 cases of fines, not less than 24 were those of fines for spoilt cloth and the remaining 17 were those of other kinds of fines. The one successful case belonged to the Swadeshi Mill, Kurla, in which the worker had been fined eight annas in addition to the spoilt cloth being handed over to him. The worker wanted to get his fine cancelled and the Union succeeded in securing the cancellation. In the three cases from the same mill, the fine was reduced from Rs. 2 to eight annas in each case and the complaints were compromised.

(*ii*) Of the 24 complaints for spoilt cloth, 14 came from the Khatav Makanji mill and the rest from the Swadeshi mill, No. 2, Girgaon. On getting the workers' complaints about the infliction of fines for spoilt cloth through the Union, Mr. Mulraj Khatav, Agent of the Khatav Makanji mill, instructed the Manager and the Weaving master to show all the spoilt pieces to Mr. R. R. Bakhale of the Union and to hand over the pieces to the workers only after Mr. Bakhale had examined them. After this concession was granted, Mr. Bakhale visited the mill thrice and, after examining the spoilt pieces, succeeded in persuading the weaving department in not giving some pieces to the workers as they were not spoilt on account of the workers' negligence. It must be stated that this concession has created a good deal of genuine satisfaction amongst the workers of the Khatav mill and the Union takes this opportunity for gratefully thanking Mr. Mulraj Khatav for the generous concession he gave to the Union. It was indeed an act of farsightedness and sympathy for which the Union cannot thank the Khatav Mill Management adequately.

(*f*) *Strikes:*—During the period under report the Union did not authorise any strike; but there took place five strikes in four mills with which the Union had to deal. One of them took place in the Khatav Makanji Mill on account of the reduction in rates and wages of the weavers. The reduction was made on the ground that the rates obtaining in that mill were the highest in Bombay and that, in the then existing fininclal condition, the mill was unable to pay those rates. On the 31st December 1925 the mill put up a notice that it would be closed down on and from 1st February 1926. On the 25th January 1926, another notice was put up saying that in view of the compromise arrived at between the Management of the mill and the employees and the latter having requested the Management to continue the mill on the revised scales of wages (which were lower than the then existing rates), the management had decided to continue the mill and at the end of the notice it was added that "those workmen who will be attending to the work on and from 1st February will be regarded as having accepted the revised scales of wages." The workers denied any compromise having been arrived at and resented the latter portion of the notice which sought to bind them to the scales of wages to which they had never agreed. As a result of the correspondence that it had with the Management, the Union succeeded in removing the objectionable parts of the notice and successfully persuaded them to put up a simple notice on the 31st of January to the effect they had decided to continue the mill on the revised scales of wages. The effect of this change was that, while the mill announced the reduction in wages, the men became free to take any action they liked, which was not possible under the original notice of January 25. Upon this understanding the workers who had gone on strike resumed work on February 1. The Union then turned its attention to the more important point of reduction in rates which was opposed by it on many grounds. The Agents of the Khatav Mill, while appreciating the points raised by the Union, regretted their inability to cancel the reduction. The matter was then taken up with the Bombay Mill-Owners' Association which took one and half month to consider this question and finally informed the Union on April 9 that they were satisfied that the Khatav mill did not contravene the undertaking given by Mill-owners' Association and that the revision was made for the purpose of bringing the basic rates more in line with other mills in Bombay.

During the period of this correspondence, negotiations were going on between the Management of the mill, on the one hand, and the Union and the workers on the other and Mr. Mulraj Khatav received the Union's and the workers' representatives several times and freely discussed with them the whole question. As a result of these negotiations he agreed to bring down the original reduction by half a pie. The workers and the Union were not satisfied with it, but accepted the concession and deferred to take any further action in the matter. The Union desires to acknowledge with thanks the courtesy and kindness shown by Mr. Mulraj Khatav, the Manager and the Weaving Master of the Mill throughout this troublous period and the sympathy they showed in considering the workers' side and the readiness with which they freely discussed the important issue of wage reduction with the other side in order to arrive at a proper understanding.

(ii) The Khatav mill witnessed another strike of the spinners during the period under report. The workers in the roving and ring departments placed before the Union a number of complaints such as cut in wages, reduction in staff, periodical unemployment, etc. The cut in wages being the result of the mill's action in January, the Management refused to reopen the subject: but they assured the Union to enquire into the other grievances and promised to stop the unemployment as early as possible. On this assurance, the Union persuaded the spinners to resume work, which they did.

(iii) In the Simplex Mill all jobbers struck work on account of one them being summarily dismissed from service. The Union carried on negotiations with the Manager and succeeded, during the course of a month, in re-instating most of the dismissed jobbers.

(iv) A small strike of about 15 workers in the Carpenters' department of the Swadeshi mill, Kurla, took place on the ground that their timings of attendance were changed. After seeing the Manager, the Union found that there was no cause for complaint and asked the workers to resume work.

(v) In the Rachael Sassoon Mill, the weavers working on the jacquard looms which were newly introduced began to get low wages and they struck work. The Union intervened in the matter and persuaded the Management to consider the grievances sympathetically. They promised to reconsider the rates if it was found that the workers got lower wages. The workers agreed to this proposal and resumed work.

(*g*) *Compensation for Accidents*:—As regards the cases for compensation for accidents, it has been the practice of the Union to hand over such cases to the Workmen's Compensation Committee of the Social Service League and the Committee conducted the cases. Of the three successful cases, one worker got Rs. 194-4-0 as compensation, the second Rs. 551-4-0, the third Rs. 6C0 and the amount of the fourth worker is not known to the Union as it was given directly to him through his mill and as he left Bombay soon after he got the money. The reason for dropping so many as 10 complaints was that most of the workers were found to be not entitled to any compensation under the Workmen's Compensation Act.

(*h*) *Requisition for Gratuity and Provident Fund*:— The grant of gratuity or bonus at the end of long service depends entirly, under the existing conditions, upon the good will of the employer. A mill resented the interference of the Union in the matter of applying for gratuity and, therefore, the Union's practice was to prepare an application and ask the worker to send it in his own name. The two workers got Rs. 225 and 175 each as gratuity. The third successful case was that of a man who got his provident fund. The unsuccessful case was that of a worker who had put in over 27 years' service in the mills of the same Agents and who had become physically unfit for any work ; but on the recommendation of manager who stated that the worker was capable of "light" work, the Agents refused to entertain the application.

(*i*) *Assult* :—Of the three successful cases of assault, one belonged to the Swadeshi mill, Kurla. The worker had been assaulted by a jobber and both of them were members of the Union. The Union tried to settle the complaint amicably between the parties concerned. The jobber expressed his regret for the assult, gave a written apology for the same and promised to treat the workers under him with consideration. The other party was satisfied with the jobber's apology and the matter was dropped. In the other case from the new mill, Kurla, a woman had been assaulted by a doffer boy who, the Union was informed subsequently by the complainant, was made to apologise to the woman. In the Spring Mill, a worker had been assaulted by the carding master, Mr. Smith, in the presence of other workers. The Union informed the Manager of this incident and requested him to take prompt and effective steps. In the personal interview with the Union's representative, the Manager expressed regret at the incident and promised to warn Mr. Smith not to repeat such conduct. Not being satisfied with this, the Union wrote to the Agents and requested them to deal with the case so as to meet the ends of justice. They informed the Union that Sir N. N. Wadia had made personal enquiries into the matter, had severely warned Mr. Smith and assured the Union that nothing like that would happen in future. Of the complaints dropped, one of the complainants was actually working in the mill and, in his interest, it was not thought desirable to take legal steps in the matter as there was a fear of his being victimised.

(*j*) *Dasturi*:—That the practice of receiving *dasturi* or bribes from the emplyees, both at the time of their employment and during the continuance of their service, prevails in most of the Bombay mills, is well-known in Bombay. During the period under report, the Union received a few complaints about the receipt of *dasturi* from the Jam mill. After making thorough enquiries into the matter, the Union was convinced that the complaints were genuine and placed all the information received by it before the Manager and the Agents of that mill. In the presence of the Manager and the Weaving Master, the winders admitted that they were paying *dasturi* to their *Naikin*. But the Management of the Jam mill refused to take notice of the evidence placed before them and to set the matter right. It will be realised how difficult it is to collect evidence on a matter like the bribe taking; but in this particular case an overwhelming evidence was collected by the Union and it was placed in the hands of the Management. Had they musterred courage and taken prompt measures to punish the guilty persons, this pernicious practice would have greatly disappeared from that mill. Not only that; their action would have gone a great way in putting a check upon the same practice prevailing in the adjoining mills. But the Jam mill authorities not only did not punish the guilty persons but, on the contrary, dismissed some of the complainants who showed courage in exposing the guilty persons. The Union enters its strong protest against this attitude of the Jam mill authorities.

REPRESENTATION TO THE TARIFF BOARD.

12. The Government of India appointed a special Tariff Board to enquire into the condition of the textile industry in India. The Union decided to take this opportunity to place the workers' side before the Board and bring to its notice the various grievances under which they have been

groaning. This was perhaps the first time after the institution of Tariff Boards in this country in 1922 that a labour Union placed a labour case before them. The Union's representation was divided into two parts: the first part offered a few remarks of a general character on the whole position of the textile industry with special reference to the labour conditions obtaining in Bombay and the second part contained the Union's replies to the Board's questionnaire. The Union gave its considered opinion that unless the labout conditions in Bombay were radically improved, the mill industry would not be able to compete with the other manufacturing countries. As regards the protection to be given to the industry the Union stated that "if, after thorough investigation, it is found that the industry really stands in need of some temporary help to enable it to compete successfully with the other cotton manufacturing countries in the world, the Union will be only too glad to support the grant of such help consistently with the general interests of the country." While the Union opposed almost all the measures of indirect taxation recommended by the Bombay Millowners' Association for protection, it suggested that "help should be given by way of subsidies or loans without interest (1) to improve the mill machinery and to put up automatic looms, if possible; (ii) to introduce specialisation and avoid overproduction in particular grades and varieties and thus eliminate internal competition; (iii) to make experiments by which the mills may be able to improve their production; (iv) to make efforts by which the sales may be increased both in Indian and foreign market; and (v) to train the workers to increase their efficiency and to better their conditions of life and service. The Union made it perfectly clear that " such help should be given only after the millowners satisfy the criterion, viz., that of efficiency and economy and if the millowners promise to radically improve the labour conditions. Further, help should be given only for a temporary period during which the mill-owners should prepare themselves to face the world competition without any outside help. Money required to help the industry as suggested above, should be raised by a special direct tax which should be imposed upon those who are able to bear its burden." As regards the Japanese competition the Union suggested that "if, after thorough investigation, it is found that there is an unfair Japanese competition with Indian goods, the Japanese goods may be prohibited from entering India till Japanese labour conditions are improved."

13. On the basis of the representation, the Union's representatives, Messrs. N. M. Joshi, F. J. Ginwala and R. R. Bakhale, were cross-examined by the Tariff Board for nearly two days. The Union also supplied the Board with some more information arising out of the oral evidence of its representatives.

OTHER REPRESENTATIONS.

14. The Union sent two more representations to Government on two very vital labour questions which are at present under the consideration of the Government of India. One is the prompt payment of wages and the other the "deductions from wages or payments in respect of fines". The Managing Committee of the Union, while appreciating the move of the Government in the direction of securing by legislation the prompt payment of wages, gave out as its considered opinion that the delays associated with the workers' payment, the consequent economic difficulties to which the workers are subjected, and the abuses arising therefrom could best be avoided by instituting a system of fortnightly or weekly payments by means of legislation. The Union's representation further proceeded that the statutory limit to be placed upon the time within which wages must be paid, should be put not only in the case of monthly payments but in the

case of fortnightly, weekly and daily payments also. As regards the limit to be placed, on the period of payment, the Union opined that it should be, at the most, a week in the case of monthly payments, four days in the case of fortnightly payments, two days in the case of weekly payments and the daily wages should be paid on the same day. The enforcement of such legislation should be, the Union stated, in the hands of an outside agency such as the inspecting staff and should not be left on the initiative of the workman. In the opinion of the Union, the scope of the measure should be as wide as possible and should cover all establishments, large and small, government, semi-government or private. In additions to these recommendations, the Union made two more suggestions for the consideration of Government. One was that, under the proposed legislation, the employers should be made to give immediately the wages of the workers who might be discharged or leave service in the middle of the month; and the other was that the earned wages of the workers should not be forfeited, as was the practice in some of the mills in Bombay, even though the demand was made for them after three or six months.

15. The Government of India have undertaken an enquiry into the practice of fines prevailing in Indian industrial establishments, and issued a circular to the provincial governments asking them to collect information about the extent to which the system of inflicting fines prevails in the industrial establishments under their jurisdiction. The Labour Office, Bombay, under the direction of the Government of Bombay, accordingly prepared a draft questionnaire and sent it to the interests concerned asking them whether the questionnaire was a fair and reasonable one and was calculated to obtain the necessary information. The Managing Committee of the Union, while according its support to the procedure adopted by the Labour Office in collecting the necessary information and to the enquiry being

held over a period of one calender year, regretted that the questionnaire was vaguely worded and inadequate and, therefore, could not cover all the items under which deductions were made. The Committe suggested some modifications in the order of the questionnaire and itself drafted a few more questions which, in addition to the original questions, would, the committee thought, elicit the required information. In addition to the questionnaire being sent to the establishments coming under the definition of factories, the committee recommmended that it should be sent to large shops and stores, large commercial offices, Indian and European restaurants, railway establishments, tramways, municipalities, building and earth works, stone quarrying and mining establishments and to all other large establishments employing all kinds of wage earners. The Union is glad to find that the Labour Office made, on the recommendation of the Committee, some changes in its original questionnaire and sent it to most of the establishments recommended on behalf of the Union.

AFFILIATION WITH THE ALL-INDIA TRADE UNION CONGRESS.

16. Soon after its formation, the Union affiliated itself with the all-India Trade Union Congress and its Bombay Provincial Committee. During the period under report, a meeting of the Excutive Council of the A. I. T. U. Congress was held in Calcutta and the Union sent two of its members, Messrs. Mahamad Umar Rajab and Raghunath Baburao Kadam, both of whom are workers, to Calcutta to attend the Council meeting. The Union is anxious to take as many opportunities of this nature as possible so as to enable it to send its members outside Bombay and thereby give them an opportunity to come in close contact with the workers working in other industries and in other parts of India and study the labour conditions there.

RECEPTIONS AND SEND OFFS.

17. The Union is glad to record that the Hon'ble Sir Bhupendra Nath Mitra, Member of the Viceroy's Executive Council for Industries and Labour, was pleased to pay a visit to the Bombay Textile Labour Union on April 2 and 12, 1926. On the first day he visited the Union's Head Office where he was shown the members' registers, receipt books etc. and was explained the working of the Union. He then met the Managing Committee of the Union at which nearly 30 workers were present. Sir Bhupendra Nath asked some questions to the workers about their condition. Mr. N. M. Joshi, President of the Union, thanked Sir Bhupendra Nath for having honoured the Union with a visit. In acknowledging the thanks, Sir Bhupendra Nath expressed his satisfaction for being given an opportunity to see the work of the Union and wished it all success. Sir Bhupendra Nath was also taken round the mill area and shown the housing condition of the workers.

18. The second important reception that was accorded by the Union, was to the International Textile workers' Delegation headed by the Right Hon'ble Thomas Shaw, M.P. The Delegation landed on Indian shores on November, 19, 1926 and were received at the mole by the President and General Secretary of the Union. In the evening of the same day a reception was given them on behalf of the Provincial Committee of the All-India Trade Union Congress. During their ten days' stay in Bombay, a few meetings of the textile workers were held in different parts of the mill locality at which the Delegation exhorted the workers to organise themselves more strongly than now and promised their sympathy and support in their difficult task. The Delegation had a long discussion with the Managing Committee of the Union on the labour conditions in Bombay and the workers placed before them the various disabilities from which they had

been suffering. On November 28, the Delegation left Bombay for an all-India tour. It is a matter of great regret to the workers in India that soon after reaching Calcutta, both Mr. and Miss Shaw, Secretary of the Delegation, fell seriously ill and they were confined to bed till the Delegation left India.

19. Anticipating the events in the next few months of 1927 in respect of this Delegation, it may be stated that in the absence of Mr. and Miss shaw, the other members of the Delegation completed their Indian tour and arrived in Bombay on February 20, 1927. The whole Delegation sailed for England on the 26th of the same month. On their way to England, Miss Shaw, who was in a convalescent stage when she left India, caught small pox on the way and died at Gibralter. The workers of India, and in fact the whole country, heard this sad news with great shock and their sympathies went out to her father in his sad bereavment. The Union takes this opportunity of expressing its greatest sorrow at the untimely death of Miss Shaw and extends its deep sympathy to Mr. Shaw and other members of his family.

20. The Union took part in the send-off given to Lala Lajpat Rai, when he left India to attend the eigthth session of the International Labour Conference as the Workers' Delegate, by the Provincial Committee of the All-India Trade Union Congress. On his return from Geneva after attending the ninth session of the Geneva Conference, Mr. M. Daud, the Indian Workers' Delegate, was also honoured by the Union.

BOMBAY EXCISE ADVISORY COMMITTEE.

21. The Collector of Bombay requested the Union to send its representative to meet him in order to enable him to make a selection, from among the representatives of other Unions, on the Bombay Excise Advisory Committee

It is a matter of satisfaction to the Union to record that the Collector appointed Mr. R. S. Asavale, a Vice-President of the Union, as a labour representative on the Committee.

PROPAGANDA.

22. During the period under report the Union held thirty public meetings of the workers for the purpose of general propaganda, in addition to the meetings held for the elections of its committees. Twelve meetings were held at Madanpura, ten at kurla, three each at Delisle Road, and Damodar Hall, and one each at chinchhokli and Girgaon. In these meetings, the workers were generally explained the object of the trade union movemet, its utility, its benefits to the working classes and the work that this Union has been doing since its foundation. In addition to these thirty meetings, ten more meetings of the mills having membership in this Union were held in order to place before them the millowners' proposal, published in the press, about the reduction in working hours and to ascertain their views thereon. They unanimously disapproved of the proposal and passed resolutions to that effect.

FINANCIAL POSITION.

23. An audited statement of accounts of the receipts and expenditure of the Union during the period under report is given at the end of the report. It will be seen therefrom that the Union has been able to save nearly half of the total receipts, after defraying all its expenses. It need hardly be mentioned that utmost care was taken to minimise the expenditure and save as much as possible in order to enable the Union to start some benefit activities as soon as a fairly good amount is accumulated and also to keep something in reserve to meet a crisis, if one unfortunately arises in the near future.

ACKNOWLEDGMENTS.

24. The Union desires to acknowledge gratefully the services of those who helped it in its infancy. In the first place, it is indebted to Mr. H. A. Hussain, Bar-at-Law, who conducted free of charge all the cases filed on behalf of the Union in the law courts for the recovery of forfeited waged and for the keen interest he has been taking in the affairs of the Union. Secondly, it expresses its thanks to Mr. M. N. Talpade, Pleader, for having conducted the criminal cases in the Jam Mill on very moderate fees. Thirdly, the Union acknowledges with gratitude the valuable legal advice given to it on several legal points that arose out of the complaints received by the Union, by Dr. B. R. Ambedkar, Messrs. S. C. Joshi, P. S. Bakhale and H. A. Talcherkar. Fourthly, thanks are due to the Workmen's Compensation Committee of the Social Service League for conducting the Union's cases. Fifthly, the Secretaries of the Centre Committees and Superintendents of the mil Committees, most of whom are workers, and other members deserve the greatest thanks for the trouble they took in collecting the subscriptions and in otherwise doing the work of the Union in many directions.

25. The Union takes this opportunity of acknowledging the courtesy shown by those of the Agents and Managers of the mills with whom it had to correspond in respect of the complaints, the promptness with which they sent replies to the Union's representations and gave interviews to its officials. It is also indebted to those mills which re-dressed the grievances to the satisfaction of the workers. The Union only hopes that the present small number of such sympathetic Agents, Managers and other mill officials will increase rapidly so that the work of removing the legitimate grievances of the workers will be greatly facilitated.

Appeal to the Workers.

26. Lastly, the Union appeals to the workers who have not yet come within the fold of organisation, to do so without any more loss of time. True, the Union has not been able to remove all their grievances that came before it. But it should be remembered in this connection that, in the first place, the failure to redress the grievances is largely due to the weakness of the Union in not having larger membership than it has got to-day; and that, in the second place, in the absence of adequate legal protection, the persuasion is the only remedy that lies in the hands of the Union for redressing the grievances. It is the experience of the Union that persuasion has greater effects in those mills where membership is substantial but where membership is very small, redress of grievances becomes a matter of great difficulty. It lies mostly, therefore, in the hands of the workers to utilise the Union's power of persuasion to the utmost by increasing its strength. As regerds the unsuccessful complaints, it is well to bear in mind that they form a powerful plea to convince the Government and the public about the necessity of giving adequate legal protection to the workers. Nothing else will convince them more than these unsuceessful legitimate complaints about the necessity of more legislation protecting the interests of the workers and checking the abuse of power and authority of the employers. It lies, therefore, in the hands of the workars to join the Union in large numbers irrespective of the complaints becoming successful or otherwise. Moreover, it should be borne in mind that redress of grievances is not the only aim of the Union; it is only a means to an end. The aim of a labour organisation is to secure to the workers fair conditions of life and service and such rights and privileges as are at present denied to them and to take such other steps as may be necessary to ameliorate their social, educational, economic,

civic and political condition. These can be attempted only if the Union is much more powerful than it is to-day and it has got funds enough to undertake schemes for the achievement of those objects. The Union, therefore, appeals to all the textile workers in Bombay to join their organisation in large numbers and make it a really powerful body of workers ready to meet any emergency that may arise and with enough resources to give assistance to its members in such emergencies.

BOMBAY TEXTILE LABOUR UNION.

Income and Expenditure Account for the year ending 31st December 1926.

INCOME (Receipts).	Rs.	a.	p.	EXPENDITURE (Payments).	Rs.	a.	p.	Rs.	a.	p.
Subscription Account— Collection during the year ...	17,333	5	9	Management Expenses— Salaries ...	2,581	4	0			
Interest Account— On Current and Fixed Deposits.	78	5	0	Managing Committee Expenses	128	7	6			
				Commission on Subscription Collection ...	408	15	0			
				Conveyance Charges ...	649	3	0			
				Rent Account...	620	0	0			
				Printing ...	1,402	8	0			
				Stationery ...	415	6	0			
				Postage and Telegram ...	79	7	6			
				Propaganda ...	487	1	0			
				Miscellaneous...	111	13	0			
								6,884	1	0
				Textile Workers Tariff Board Representation				307	6	0
				Contribution to British Strikers				334	8	0
				Legal Assistance				390	15	3
				Union's Delegates to All-India Trade Union Congress ...				160	0	0
				Affiliation Fees: All-India Trade Union Congress, and Provincial Trade Union Committee				75	0	0
				Help to Textile Workers for Unemployment etc. ...				37	0	0
								8,188	14	3
				Balance to statement of affairs ...				9,222	12	6
Total ...	17,411	10	9	Total ...				17,411	10	9

BOMBAY TEXTILE LABOUR UNION.

Statement of affairs as on 31st December 1926.

	Rs.	a.	p.		Rs.	a.	p.	Rs.	a.	p.
				Dead Stock—						
Balance as per Income and Expenditure ...	9,222	12	6	Office furniture and equipment				263	10	0
				Sundry Advances				135	3	3
				Cash and Bank Balances—						
				Bombay Provincial Co-operative Bank—						
				In fixed deposits ...	7,010	1	0			
				In current Account ...	1,676	11	0			
								8,686	12	0
				Cash on hand				147	3	3
Total ...	9,222	12	6	Total ...				9,222	12	6

Auditors Reports :—

I have examined the above statement of affairs and the statement of Income and Expenditure with the Books, Accounts, and Vouchers of the Bombay Textile Labour Union. In my opinion, the statements fully and correctly represent the true position of the Union.

J. K. PARULKAR,

Bombay, 15th March 1927. Certified Auditor.

Financial Aspects

OF

THE SEPARATION OF SIND FROM THE BOMBAY PRESIDENCY.

(I) The difficulties of small Provinces.

The proposal to separate Sind from the Bombay Presidency has been discussed from various points of view both in the press and on the platform. But there is a general feeling even among those who support the proposal from other points of view that the financial aspect of the question needs to be carefully examined. Several friends who have read my contribution to the press on the subject have asked for a more detailed examination of the question ; some in the opposite camp have even questioned, in private circles, the data for the conclusions I have arrived at. The matter is necessarily technical and cannot therefore interest the ordinary reader of newspapers. I have ventured on that account to issue this pamphlet in the hope that it may prove of some help to those who are anxious to have in an easily accessible form the necessary material for forming their own conclusions.

Let me at the very outset place a few general considerations before the public. A small province is by itself a very serious handicap in the race for progress. India is a poor country, much poorer than many states of Europe ; modern governmental machinery is necessarily complicated and costly ; the demands for funds for beneficient services and economic development is insistent and urgent in a backward country like India. It follows, therefore, that more our Government spends on the general adminstration of the country, the less is left for nation-building activities of the state. The level of taxation is admitted both by officials and non-officials to be already too high : but even if it were otherwise, the country is in no mood to tolerate increased taxation except expressly for nation-building departments.

Apart from taxation, the only means of developing a province and so increasing the material well-being of its people is to raise development loans. The smaller the province, the smaller will be its revenue ; the smaller the security on which a province can borrow, the higher will be the rate of interest it will have to pay. The smaller the province, the less varied in their economic characteristics will be its various parts, the more fluctuating will be its total revenues, the less certain will be the security it can offer for its loans, the less insurance it will have against risk of failure for its development schemes and higher therefore will be the rate of interest it will have to pay. Already the market rate of interest to-day is much higher than the pre-war rate ; and there is not much hope for economic development unless the rate of interest falls appreciably.

On these grounds alone, the general proposal to increase the number of provinces by redistributing them on linguistic basis, or the particular application of the principle to an *undeveloped* part of the country like Sind is, to say the least, extremely unwise.

The financial history of the various provinces since the reforms greatly strengthens this general conclusion. The Meston award increased the normal income of provinces from 54 crores ro 76½ crores and transferred to the provinces the responsibility of only 4 crores of Imperial expenditure. The percentage of increase of revenue allotted to each of the provinces works out as follows :--

Province	Normal Income		Increased income due to Reforms		Per cent increase.
Madras	8.8 (crores)		5.8 (crores)		66%
United P.	7.8	„	4.0	„	51%
Punjab	5.8	„	2.9	„	50%
Burma	6.1	„	2.5	„	41%
Bengal	7.1	„	1.0	„	14%
Bombay	10.2	„	0.9	„	9%
Bihar & Orissa	3.3	„	0.5	„	15%
Central Provinces	3.2	„	0.5	„	16%
Assam	1.5	„	0.4	„	27%

Since 1919 there has been a further increase of taxation in several provinces, especially in Bombay. Where has all this increased spending power gone ? Not much has gone to nation-building departments ; every minister complains that he is handicapped for want of funds ; every patriotic councillor feels that the Reforms are a failure on the nation-building side. The moral is obvious : the general administration of the reformed provinces in proving too costly for major provinces. What hope is there, then, for small provinces with all the paraphernalia of the reformed constitutions ; especially for separate Sind with its higher wages and higher cost of living ?

II A Deficit Province.

Let me now invite the attention of the public to a few facts regarding the financial position of Sind as part of the Bombay Presidency. Sind has been a deficit province practically all along since 1843. In 1843 its expenditure exceeded its revenues by 67 lakhs; in 1914-15 by over 13 lakhs; in 1919-20 by over 30 lakhs; in 1921-22 by 40 lakhs; in 1924-25 by 41 lakhs. The figures under various heads of revenue and expenditure for the years 1910-20 were supplied to the Bombay Council at its July session of 1922 by the Finance Department of the Government of Bombay in reply to a question by Khan Bahadur S. V. Bhutto and are printed as Appendix A in this brochure for convenience of reference. Again on the 7th of March 1925, the Hon'ble Mr. H. S. Lawrence in reply to an interpellation by Mr. R. G. Pradhan (Nasik District) stated that "For the year 1921-22, Provincial Receipts in Sind amounted to Rs. 210.5 lakhs and provincial expenditure to Rs. 250 lakhs." The figures for the years 1922-23, 1923-24 and 1924-25 were given by the Hon'ble Sir Chunilal Mehta in reply to an interpellation by Mr. R. G. Paradhan on the 4th of August 1926 in the form of the following table :—

Year	Ordinary Revenue	Ordinary Expenditure
1922-23	195.0 (Lakhs)	209.0 (Lakhs.)
1923-24	192.0 „	202.0 „
1824-25	180.7 „	221.5 „

These figures show that in the two years preceding the Reforms, the average deficit was 26 lakhs a year, and that in the four years 1921 to 1924 the average deficit was 26.07 lakhs a year. These figures *do not include interest charges* on the capital spent on irrigation works, as was clearly stated by the Hon'ble Mr. H. S. Lawrence in reply to an interpellation by Rao Saheb D. P. Desai (Karia District) on the 24th of Feburary 1923. They do not include any share of the Famine Insurance Grant, or of the expense on the General Administration of the Presidency as a whole (other that on the Commissioner in Sind's office) or on the Legislative Council or the Heads of the various departments for the Presidency as a whole, for while compiling the statement given in Appendix A, the Finance Department of the Government of Bombay was not drawing up a separate budget for Sind but only giving a comparative idea of the expenditure on Sind as a Division of the Presidency. Even a superficial examination of the figures in Appendix A will show that 1.2 to 2.3 lakhs shown under General Administration for Sind could not possibly have included any fair share of 52.7 to 84.5 lakhs a year spent on the General Administration of the Presidency as a whole during the years 1910-1919.

It has been often suggested by the advocates of separation of Sind that these figures are cooked up—an unwarranted reflection upon men like Sir Henry Lawrence and Sir Chunilal Mehta. The sceptics' doubts are partly due to the fact that the figures for Land Revenue given in Appendix A do not tally with the figures given in the Revenue Administration Report, and the figures of income from irrigation appear ridiculously small as compared to expenditure. The explanation is easy to give. Before the Reforms of 1919, Land Revenue was a '*divided* head' * and so the figures of land revenue given in Appendix A represent only the share of the Land Revenue from Sind, accruing to the Bombay Government. Irrigation too was a 'divided head'; and *land revenue credited to irrigation* was shown under land revenue and not under irrigation.

If the sceptics are not satisfied with this explanation, let them come out with their figures and indicate the unimpeachable source

* Shared between the central and Provincial Governments.

of their information. It is unfair for responsible publicists to dismiss the official figures given to the Bombay Council as untrue without stating their grounds for so serious an allegation and coming out with their so-called correct figures.

(III) Five Items other than Increased Expenditure on Administration.

We may now attempt a rough estimate of the amount that will have to be raised by Sind in case it is separated from the Bombay Presidency. In the first place, we shall have to cover the deficit of 26 lakhs a year on an average. In the second place, we shall have to find the ten lakhs which are paid by Bombay towards the interest on the Sukkur Barrage out of the Famine Insurance Grant. In the third place, we shall have to pay our share of the interest and sinking fund on the public debt of Bombay. The last needs a more detailed notice.

The separation of Sind from the Bombay Presidency is on a par with the disolution of a business firm. When partners in a business firm divide their assets and debts, the only equitable basis of division is the *income yielding capacity* of their various assets. The interest on the *outstanding* capital outlay on *irrigation works in Bombay for which capital accounts are kept* is estimated at 55.46 lakhs in the budget for 1927-28, excluding the interest charges for the Lloyd Barrage. What is the *incme* against this recurring charge? According to the latest available statistics (1924-5), "the receipts on capital irrigation works compared with the year's working expenses show a profit of Rs. 39,25,261 and Rs. 13,37,392, *in Sind* and the Deccan and Gujrat respectively. If, however, interest charges on works in operation are taken into account, the result shows a *profit* of Rs. 24,25, 717 for Sind and a *loss* of Rs. 6,20, 756 for the Deccan and Gujrat." (Para 8 of the Administration Report). Even if no allowance is made for the fact that there is a net recurring loss on the capital sunk in the Deccan and Gujrat, any fair minded arbitrator will debit Sind at the dissolution of partnership with ¾ of the total interest charges, for the simple reason that its income from irrigation assets that will be handed over to its Government will be three times that of the Deccan and Gujrat. In other words, the interest charges on this account for a separate province of Sind will amount Rs. *40.8 lakhs a year.*

But supposing we adopt the actual capital out-lay on Sind irrigation as the basis of division, what will, then, be Sind's share of the interest charges ? In 1920, when irrigation was handed over to the provincial governments, the Government of India transferred to the Bombay Government 8.9 crores of capital cost of irrigation. As stated by Sir Henry Lawrence in the Bombay Council on the 22nd February 1926, the Bombay Government is now paying annually 32.79 lakhs of rupees as interest on this capital. As most of the irrigation works in Bombay are located in the Deccan and Sind and as over two-thirds of the total expenditure on irrigation is on Sind (vide page 139 'Bombay 1925-26'), it is fair to assume that at least one-third of these ~~3.279~~ lakhs will be debited to Sind, in case it is separated from the Bombay Presidency. That this is clearly an under-estimate is proved by the fact that the total sum at charge of the irrigation works (included in statement II c of the statistical statements for irrigation works in Sind for the year 1924-5) that came into operation before even 1904 amounts to 3.91 crores. In addition to this, as His Excellency the Governor of Bombay informed a Sind Deputation headed by Sir Montagu Webb on the 5th of August 1922, "of the total irrigation capital expenditure in the Presidency, Sind has had 304 lakhs and the rest of the Presidency 709 lakhs" *from 1916 to the end of 1921.* A part of this was probably met from general revenues and the famine insurance fund; but Sind, having been all along a deficit province, cannot in equity refuse to give credit to Bombay for capital expenditure financial out of the revenues of the rest of the Presidency at the time of separation. Calculating interest at only 5½%, *this will mean 16½ lakhs interest charges on the 3 crores sunk in Sind.† From 1921 to date, the total capital outlay on irrigation

*The official figure is 5.683 %

† It should be noted that the annual interest on the sum-at-charge of only those irregation works which are included in statement II c of administration report, amounts to 15.07 lakhs a year upto the end of tho year 1924-25, excluding, of course, the interest on the Sukkur Barrage.

works for which accounts are kept(excluding the Lloyd Barrage) amounts to 275 lakhs, for which interest charges reckoned at 5.683 p. cent are estimated at 15.86 lakhs in the Budget for the current year (Vide page 63 of the Explanatory memorandum to the Budget for 1927-28). Assuming one-third as the fair share of Sind, this will add another five lakhs to the annual interest charges. Even on thi basis, then, the total interest charges on capital outlay for irrigation works in Sind amount to 32.6 lakhs a year, excluding the Sukkur Barrage.

Besides this capital outlay on *irrigation*, the Bombay Government spent out of ***borrowed funds*** during the three years ending February 1924, sixty lakhs on Public Buildings such as courts and revenue offices, twenty six lakhs on Development of commercial Departments such as Forests and Excise, thirty six lakhs on Housing of public officers, chiefly Police Lines, and 108 lakhs on miscellaneous items. (Vide Mr. P. R, Cadell's budget speech on the 19th February 1924). At the end of the Financial year 1925-26, the the total ***debt*** for these ***other*** purposes (mostly civil works) stood at 336 lakhs according to Sir Henry Lawrence's statement in the Bombay Council (Vide Paras 10 and 11 of his budget speech on the 22nd of February 1926). Assuming Sind's share of this expenditure to be only one-fourth, this means another 4.7 lakhs of interest charges at the rate of 5.683%, the rate adopted as the basis of official estimates in recent years. The total of interest charges alone (excluding interest on Barrage capital) thus come up to 37 lakhs a a year.

In addition to all this, Sind will have to make some provision for Reduction or Avoidance of Debt for 3.95 crores of irrigation debt and 84 lakhs of loans for other purposes, excluding the pre-Reform debt which not to be redeemed and the outlay on the Sukkur Barrage which has been left out of calculation so far. Assuming 60 year's* basis in the case of the first and 30 years* basis in the case of the second, this will add another 8.9 lakhs to the debt charges of a

* The repayment schemes submitted by the Bombay Government to the Government of India are on 60 years and and 30 years' basis respectively Vide Explanatory memorandum to the Budget for 1927-28 page 76.

seperate province of Sind, excluding the interest on the Sukkur Barrage. The total for debts charge will thus amount to *46 lakhs a year, excluding* 10 *lakhs to be paid interest on the Llyod Barrage.*

Fourthly, we shall have to pay something to the Central Government, as every province that has gained in spending power owing to the complete transfer of Land Revenue and irrigation to the Provincial Governments since 1920 has had to do. The Bombay Government contributes to the Central Government 56 lakhs annually; Sind will have to pay about one-fourth of this as its contribution to the Central Government. If these Provincial contributions were wiped out to-day, it is unlikely that Bombay will spend less than one-fifth of this on Sind out of its increased spending power; so that whe ther the provincial contributions are wiped out or not, Sind will lose by separation 11 to 14 lakhs a year. Further, under the financial arrangements after the Reforms, it is obligatory on the Provinces to provid a grant for Famine Insurance. Bombay sets apart as much as 63 lakhs a year for this purpose; of this ten lakhs are spent towards interest on the Lloyd Barrage. Putting the Famine Insurance Grant for Sind at ¼th of the remaining 53 lakhs, this will mean over 13 lakhs' additional expenditure for Sind.

Apart, therefore, from the additional expenditure on a separate administration, Sind will have to find over a crore of rupees for the items discussed above, as can be easily seen at a glance at the following table :—

1. Average deficit 1921-22 to 1924-25	26.07 lakhs
2. Famine insurance grant applied to interest on the Sukkur Barrage.	10.00 lakhs
3. Share of interest and sinking Fund on Public Debt (excluded from the figures of expenditure under 1.)	

a. $\frac{1}{3}$ of 32.79 lakhs due to the Government of India on 8.9 crores, the capital on irrigation works handed over in 1920.	10.9 lakhs.
b. Interest on 3 crores spent by the Bombay Government on Sind irrigation till 1921 at $5\frac{1}{2}\%$	$16\frac{1}{2}$ lakhs-
c. $\frac{1}{3}$ of 15.86 lakhs, the interest on 279 lakhs borrowed for irrigation works from 1921 to date	5 lakhs.
d. Interest on $\frac{1}{4}$ of 3.36 crores borrowed during 1922-25 for other purposes at 5.683%	4.7 lakhs.
e. Repayment of (b) and (c) in 60 years and (d) in 30 years (omitting share of loss on Development Scheme)	8.9 lakhs.
4. Provision for Famine Insurance, (because this is excluded from the figures of expenditure given in Appendix A)—$\frac{1}{4}$ of 53 lakhs (the amount provided for the whole presidency minus 10 lakhs paid as interest towards the Sukkur Barrage)	13 lakhs.
5. Contributions to the Central Government (so long as these are not remitted.)—$\frac{1}{4}$ of 56 lakhs	14 lakhs
Total of these	109.7 lakhs.
Allowance for any margin of error	9.7
	100 lakhs

This leaves out of account altogether the share of loss on the capital of 13 crores invested in housing and development of Bombay City, that Sind is bound to be asked to pay. The interest and sinking fund on this loss has been estimated at $27\frac{1}{2}$ lakhs a year in the budget for 1627-28 (Vide page 38 of the Explanatory memorandum) As a partner in the firm of the Bombay Presidency, Sind cannot claim the gains without sharing the losses ; it cannot have the excess of income over expenditure on its *productive* irrigation works without sharing the losses of unsuccessful ventures to which the Legislative Council members from Sind were as much a party as the members from the Deccan or Gujarat.

Further, these calculations ignore altogether the possibility of failure of the Sukkur Barrage or even the likelihood of its actual expenditur exeeding the estimated receipts. According to the estimates upto 1957 there will be no surplus revenue from the Lloyd Barrage. But it is an open secret that the estimates are based upon too rosy expectations. The trend of wages alone shows the unreliability of the estimates. Between 1913 and 1925 the rate of wages of field labourer in the rural areas of Sind has gone up from 8 as to Rs. 1-1-9 per day ; inspite of *falling* prices during 1924-25, the daily average wage of the field labourer has risen from 0-15-9 to 1-1-9 per day, and that of the skilled labourer has jumped up from Rs. 1-13-9 to Rs. 2-1-0 per day. The ever-growing demand for labour in Sind will further accentuate the situation ; and nothing seems more probable than that the Barrage will not pay its way for a long time to come. How will a province with a revenue of about 160 lakhs to 200 lakhs a year provide for the interest charges on the Barrage ranging from 9 lakhs in the first year to 187 lakhs in the last during the long, long period that must elapse before it becomes a paying proposition? Will interest upon interest be allowed to accumulate till there is no way left but to repudiate the public debt. Let the separationists face the issue fairly and squarely; we have had enough of airy talk.

IV Increased Expenditure on Administration.

We may now proceed to estimate the minimum *additional* cost of a separate *administration* for a Governor's province in Sind. Taking the various budget heads of Bombay, the following appear to me to be the minimum additional amounts necessary under each head :—

1	General Administration (Heads of province Viz. the Governor, his household Allowance, and his tour expenses ; the Executive Councillors and Ministers etc. etc ; Legislative bodies ; Secretariat and Head quarters establisment) ...	15,04,200
2	Land Revenue, Survey and Settlement, and Land Records etc. ...	3,29,085

3	Excise (Superintendence only)	...	40,500
4	Stamps (Superintendence only)	...	54,170
5	Forest (General direction only)	...	42,200
6	Justice	...	2,87,000
7	Jails (Superintendence only)	...	58,506
8	Police (Superintendence, Training School, Superintendence C. I. D)	...	1,38,400
9	Education (Direction, special education, and contribution to the Bombay University only)	...	2,92,300
10	Medical (Superintendence, and contribution to the Medical College, Bombay only)	...	1,04,000
11	Public Health (Direction, and contribution to vaccine and Pasteur Institutes only)	...	4,51,980
12	Agriculture (Superintendence, Research and propaganda, Development, Veterinary instruction and Co-operative Department)	...	3,63,476
13	Industries (Direction, Superintendence, Education, Development etc only)	...	70,693
14	Labour Office	...	34,000
15	Miscellaneous Departments (Commissioner under the workman's compensation Act, Examinations, additional expenditure on Government printing press)	...	1,46,000
			39,16,510

The details under each of these heads, the expenditure in Bombay on each of the items taken into consideration, and the basis of my calculations are all indicated clearly in Appendix B with a view to facilitate public discussion of each of the items. I may, however, state in general terms the method followed by me. I start with the figures given in the latest budget of the Bombay Presidency 1927-28 as the basis of calculation; but have made every allowance for a possibe lower scale of salaries or reduction in the number of highly paid posts. For instance, the salaries of the Governor and the Executive Councillors are estimated at the Assam rate of salaries, which is the lowest in India; the number of lakhs in 1924-25, so that putting irrigation and land revenue together Sind had an income of 57 lakhs as against 105 lakhs revenue in Assam.

Our scale of expenditure, on the other hand, is much higher than that of Assam or any other province in India. The expenditure in Bombay on such items as education, medical relief, agriculture, irrigation and the like is at least 3½ times what is spent in Bengal*. As the Finance Member pointed out in his budget speech of the 4th March 1924, the expenditure on education in Bombay rose by 160% during the ten years 1913-23 and "we spend on education three times on the average per head as any other province in India, and a far larger percentage of that expenditure is being spent on primary education than in any other part of India." The average cost in 1921-22 of educating a pupil in a primary school in Bengal was Rs. 4-1 only, but in Bombay in the same year it was over Rs. 18. Taking the figures of 1921-22, the cost of Primary education alone works out as 1 anna 6 pies per head of population in Bengal and as a little more than 10 annas per head in Bombay. The *total* expenditure on Education(*Primary Secondary and University*) in Assam was 25.68 lakhs in 1926-27 ; divided by 79.96 lakhs of population, this works out as 5 as. 1 pie per head. The figures in Appendix I will show that *even in 1919-20*, the Bombay Govenmernt expenditure on education in Sind was more than 6 ans. per head of population, excluding the expenditure on the University and professional Colleges and excluding also the fair share of direction charges for the Presidency as a whole. In 1921-22, the minimum salary of a Vernacular teacher was only Rs. 10 in Bengal as against Rs. 19 in Sind. In Secondary education, Bombay spent Rs 68.1 per pupil against Rs. 30.3 in Bengal in the year 1921-22.

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* Vide 256 Budget Debate 24th February 1926.

The total expenditure on Police in Assam was in 1926-27, only 22.69 lakhs for a population of 79.9 lakhs ; the expenditure in Sind in the same year was 36.61 lakhs for a population of 32.69 lakhs. (Vide page 128 civil Budget Estimates Bombay, Preliminary Issue 1927-28). In other words, Assam spends on Police only 4 as. 6 pies per head of the population as against Re. 1-1-10 pies spent by Bombay on Sind. The average cost per policeman in Bombay was, in the year 1924-25, Rs. 559 in the Bombay Presidency as against Rs. 482 in Assam (Vide pages 39 'Bombay-1925-26'). Even this amount is insufficient for protection of life and property in Sind, as will be easily seen by a glance at the following figures taken from the Police Report of the Bombay Presidency 1925-26 :—

		Incidence per 1000 of population. Assam	Sind.
1	Murder and Attempts at murder and culpable Homicide	.022	.112
2	Dacoities	.005	.013
3	Robberies	.004	.044
4	House breaking with intent to commit an offence etc.	.513	.847
5	Thefts including cattle thefts	.467	1.469
6	Receiving stolen property	.055	.12

The expenditure in other departments of administration is also on a much higer scale in Sind and Bombay, for two general causes operate every where to push up expenditure. The average daily wage of the field labour and skilled worker is much higher in Sind than any where else in India; so also is the cost of living at Karachi and Bombay. Even the educated middle—class employees, of which there is such an over-supply, get a much higher salary in Sind than anywhere else in India. It is impossible, therefore, to decrease the cost of administration in Sind to the Assam level.

It must not be forgotten that Sind as well as Bombay is much more heavily taxed than any other parts of India, especially Assam the Executive Councillors has been reduced to two, that of the Ministers to *one*, and that of the Legislative Councillors for Sind to 53. I have reduced the number of secretaries, assistant secretaries and deputy secretaries in the various Departments of Government to two in the Finance and Revenue Departments, and to one in the rest, decreased the salaries of Secretaries from Rs. 3000 to 2000 only, omitted altogether several items e. g. Publicity Officer, the Secretariat Record Office, and provided for only *one* superior Officer for Land Revenue, Land Records, Excise, Stamps, Forests, Jails, Police, Education, Medical, Public Health, and Agriculture Departments. As regards the strength of the various establishments, I have estimated the expenditure generally at 1/3rd of the present expenditure in Bombay, but in some cases where it appears to me possible to economise, I have provided for for only ¼ the expense in Bombay. At present, there are four divisions in the Bombay Presidency; but under separation, the expenditure on the establishment for direction and supervision will be much more than one fourth, for there is economy in union. You cannot divide a superintendent or a clerk into four parts and say that ¼ of the Superintendent will do for you. I have therefore considered it fair to assume that the expenditure on most of the establishments will be at least ⅓ of the present expenditure in Bombay. But even if one fourth is considered sufficient, that will make a difference of only 3 to 4 lakhs in the total.

Thus in addition to the 1 crore required for the items referred to in section III, we need at least 39 lakhs more for the bare needs of a separate administration. But what about the dreams of "better health, better education, better roads and better amenities" which the separationists have promised us as the necessary result of separation. Will a Minister secure all these for us without having additional funds to spend ? Or will some Allaudin's lamp work the miracle ?

V Conclusion.

One of the stock arguments of the Separationists is that "Sind is not a small place; it is big enough to become a province"*. A few figures will suffice to bring home to the reader the real smallness of Sind as a separate province. Even in area, it is smaller than Assam, the smallest of our Governor's provinces; its area being 46,506 square miles as against 63,510 square miles of Assam. It has a population of only 32.79 lakhs, while Assam has 79.9 lakhs population; it includes only 5,107 villages against 30,957 villages in Assam. In point of population, some of the districts in Bengal are larger than Sind, Mymensingh alone having a population of 48.37 Lakhs souls. It is easily one of the most thinly populated parts of India, the average number of houses per square mile in Sind, being only 14. In point of financial resources, Sind is far weaker than Assam. Excise yields in Sind less than 35 Lakhs a year; while Assam secured from this source alone as much as 72 lakhs in 1926-27; Forests in Assam produce an income of 30 lakhs (budget estimate for 1926-27); while the gross revenue from forests in Sind was only 6.87 lakhs in 1924-25, 7.43 lakhs in 1925-26, and 6.83 lakhs a year on the average during the quinquennium 1920-21 to 1924-25) †. Land Revenue in Sind is in no sense comparable to Land Revenue in Assam, the one is mostly a charge for irrigational facilities, to provide which costs a lot of money, the other is land tax, pure and simple. Of the total Land Revenue of 1.27 crores in Sind for the year 1924-25, as much as 86.25 lakhs was *land revenue due* to *operation of canals* and was therefore credited to irrigation Account. (Vide Statement IV C Bombay, Administration Report for 1924-25 Part II Irrigation works). Comparing like with like, Sind had, therefore, a land revenue of only 41 lakhs in 1924-25 as against a land revenue of 1 crore and 5 lakhs in Assam during the same year. The net profit from irrigation in Sind *including land revenue credited to irrigation was* 13.98

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* See page 2 Jamshed N. R. Mehta's brochure on separation of Sind.

† See Chapter V. Annual Forest Administration Report, Bombay for the year 1925-26.

and Bengal. In the year 1922-23, provincial taxation (comprising Land-Revenue, Excise, Stamps, Irrigation, scheduled Taxes and the surplus of income tax granted to the provincial governments) was Rs. 6·1 per head in Bombay, Rs. 5 in Burma, Rs. 3.2 in Madras, Rs. 2·5 in the Punjab, Rs. 2.3 in Assam, Rs. 2.2 in U. P., Rs. 1.9 in Bengal, and *Rs. 6 per head in Sind.* In 1921, the incidence of *provincial* taxes was Rs. 6.5 per head in Sind against Rs. 2.2 in Assam. Excluding Customs, Salt and Opium, the Bombay Presidency including Sind contributed to the central government Rs. 5.173 per *capita* in 1922; but in the same year Assam contributed to the Imperial exchequer only Rs. ~~3.78~~ per head of the population. Madras escaped lightly with Rs. 1.155 per head, U. P. with Rs. .758 per head, Bengal with .701, Burma with Rs. 1.659 per capita.* If we include Customs, the contribution of the Bombay Presidency including Sind works out as Rs. 14-11-5 per capita, † Add to this the burden of Municipal and local taxation which stands at a much higher level in the Bombay Presidency than any where else in India, the incidence per head being as high as Rs. 16 in Karachi and Rs. 23 in Bombay City, and one will have a rough idea of the existing burden of our taxation.

In the face of these figures, it is obviously unreasonable to suggest that Sindhis should pay taxes as heavily as Bombay but receive in return as low a scale of expenditure on beneficent services as Assam; and yet that is the only meaning of the suggestion that we should cut down our expenditure to the Assam level while retaining the present revenue from Sind. It is equally difficult to contend with any show of reason that there is room for further taxation in Sind. The rural areas in Sind contribute very little to Excise; while the cities are already over-drunk, Karachi and Hyderabad having the unenviable distinction of heading the list in India in their figures of per capita consumption. Forests are a paltry source of income, not worth mentionsing. The irrigation income from the

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* The representation of the Bombay Government to the Central Government dated March 14th, 1925.

† See Findlay Shirra's speech on the budget debate February 23rd, 1923.

Sukkur Barrage including increased land-rent is already mortgaged at least upto 1957. There remain only land and trade to tax. Trade is practically confined to four or five cities; of these, Sukkur and Karachi depend for their prosperity more upon their transit trade than their local requirements. Any heavy taxation of our trading centres will kill trade and force it to shift to more lightly taxed centres, as Bombay has now found out to its cost. This leaves only land to tap, for there are no industries worth mentioning in Sind. Let the separationists who talk so lightheartedly of separating Sind from Bombay attempt to convince the Sind zamindars that their lands are capable of bearing the Atlantean load of further taxation to the tune of a crore and thirty nine lakhs; and they will know what treatment they deserve at their hands. Let not the Zamindars, Hindu or Moslem, live in a sense of false security; the Sukkur Barrage estimates are based upon the assumption of increased land-rent even from a portion of the existing cultivable land; Death duties are contemplated in the near future to make up for the gradual extinction of Excise, involved in the generally accepted policy of prohibition; the Taxation Enquiry Committee has already pointed out that it is illogical to apply to land revenue from Sind the principle of long-term settlement and limitation of increase at settlements and made the ominous proposal that the land tax in Sind should be revised at fairly frequent intervals with reference to the cost of rendering the service of supplying water and the value of the same; on the top of this all, comes the strange proposal of separating Sind, which might only mean additional taxation of Zamindars. Evidently, the glory of ruling over the Hindus of Sind is supposed to be a sufficient compensation to the Muslim zamindars for the loss of their hard-earned bread. Heaven protect the Sind Zamindar from his friends' gospel of Separation!

NOTE.—In Assam, the average incidence per capita of Municipal taxation is only Rs. 2-14-0.

(Appendix in the Press.)

Separation of Sindh.

WHY IT IS INADVISABLE ?

BY JAIRAMDAS DOULATRAM, M.L.C.

It is agreed almost on all hands that the question of the separation of Sindh from Bombay is in no way relevant to the question of mixed or separate electorates. The latter question has to be decided on its own merits and mixed electorates accepted or rejected according as they are held to help or hinder the realisation of responsible government and the progressive dominance of non-communal considerations in the administration of the country. The question of the redistribution of the existing provinces has also to be considered on its merits and in discussing any proposal for the formation of a new province, the considerations which should guide our decision should be the interests of the people of the province concerned and the gain or loss to accrue to the nation as a whole. One would, therefore, expect the public men of India to consider the proposal for the formation of a separate Sindh province not only from the purely provincial point of view of a Sindhi but also from the larger standpoint of an Indian concerned in promoting the interests of the country as a whole.

A STEP BACKWARD.

The different provinces of India cannot be, it is admitted, treated on the same level in the matter of Reforms. Even today, Bombay and Assam or Madras and Burma have been given different measures of Reforms. The Montagu-Chelmsford Report lays down this doctrine of differential treatment. The same principle is incorporated in the Government of India Act and its schedules of provincial and transferred subjects evidence this differentiation. For instance, Bombay was given preferential treatment by the inclusion of Forests among its transferred subjects. Assam, on the other hand, fared worse than most of the other provinces. Excise was not a transferred subject in Assam till 1926, while Public Works still continues to be a reserved subject there. On the same principle, it is certain that fewer and less important subjects will be entrusted to the transferred half of a separate Sindh administration than are now under ministerial control in Bombay. In other words, the people of Sindh will lose the benefit of popular control over a certain number of subjects, which they enjoy now under the Bombay Council. It is also cer'ain that Land Revenue and some other subjects at present reserved, which it is demanded should now be transferred to ministers in the case of the larger provinces like Bombay and Madras, will not be handed over to ministerial control in the case of a small and new unit of government like Sindh. As regards Provincial autonomy or full responsible government in provincial subjects, which major provinces will press for before the Statutory Commission, it is bound to be considered as outside the pale of practical politics in the case of Sindh. Thus, under a separate Sindh government, we shall not only be denied the advantage of a further instalment of Reforms but also lose a part of the Reforms we now enjoy. The constitution of Sindh into a separate province is, therefore, *politically* a *retrogade* step.

FUTURE SIND COUNCIL AND GOVERNMENT.

If one considers the question calmly and visualises the condition of things under a separate Sindh government with a separate Legislature, it will not be difficult to forecast the personnel of a future Sindh Council. The nature of the major portion of Sindh's representation on the Bombay Council to-day should give us an idea as to the class of people who will control and influence the administration of Sindh affairs. It should be easy to see that this will mean the certain deterioration of administration. The result of the last three elections shows that the zamindari and reactionary elements will largely dominate in a Sindh Council. It is the combination of the official element and this class of representatives that will form an overwhelming majority in the Council and be responsible for initiating policies, controlling action and guiding the destinies of future Sindh. It was these considerations which made the late Hon. Mr. G. M. Bhurgri always take up a firm stand against the separation of Sindh from Bombay. The heads of various departments in a small administration like that of Sindh, which can neither pay the salaries of major provinces nor afford adequate scope for talent or personal ambition as the major provinces can, will necessarily be men of lower calibre and qualifications. In some, if not most cases, it is the Deputy Directors, Assistant Directors, Superintendents or Inspectors who are now serving in Sindh who will be promoted to the rank of Directors and heads of departments. The Legislature and the Executive will discharge their functions, not under the lime light of an outspoken press like that of the city of Bombay or the criticism of organised public opinion expressed through well-established non-official associations throughout the Presidency, but under an almost complete immunity from public criticism except that of one or two English newspapers of Sindh. In circumstances like these, the Sindh administration is bound to be less progressive than at present.

THE NET RESULT.

Let us not talk vaguely of a separate Sindh Government. It is necessary to consider its composition in some detail. Besides the head of the province, the Government will consist of either two Members of the Executive Council and two Ministers or two Members and one Minister or one Member and one Minister. The proposal of one Member and two Ministers must be ruled out because Government will not be prepared to give to ministers at the very start the determining voice in a joint cabinet. The first proposal may also be discarded because such a large cabinet will not be needed for a small province like Sindh and moreover it will unjustifiably add to the cost of the administration. Thus the second or third proposals will alone be acceptable. Under either of these proposals Sindh will have only one Minister who will be dependent for his office on the support of the zamindari element with which members of the Bombay Council are familiar. I think it is too much to expect that one man can master even the main outlines of the work of the varied departments he will have to deal with in the course of three years or less. That he should deal with it with any marked ability is impossible. The attempt to introduce "responsible government" in a separate Sindh will have thus to be made under rather unfavourable conditions. The net result of loading one Minister with many departments will, I believe, be a perpetual drift into the practice of initialing most of the proposals of the departments or the Secretariat, which practice is as far away from responsible government as possible. The result will also be very slow advance in the nation building departments, progress in which is the chief criterion of the success of the reformed government.

FINANCIAL OBJECTIONS.

The financial consequences of the separation of Sindh from Bombay will be grave. Sindh is even to-day a deficit province. If it is to be constituted an independent unit of government, it must go in for the costly paraphernalia of a provincial Government with self-contained departments and the multiplication of a top-heavy staff upto the grade of Directors. The future deficit of a separate Sindh Budget, if the Sindh Government merely maintains its present activities, will be considerably greater. The extra cost to Sind, if it were constituted a separate province, has been estimated at about 1 crore and 40 lakhs on the basis of the present standard of administration.* If, however, that standard is to improve and progress to be made in all directions, specially in nation-building activities, the cost will be far greater. This means that we must nearly double our taxation in order to run a separate administration. But matters do not stop here. Sind is one of the least developed provinces of India though it has immense potentialities for development for the common good of Sind and other parts of the Presidency. Even the irrigational schemes now being carried out will leave untouched a large proportion of the culturable area of Sindh. The industrial and commercial resources of Sindh have yet to be tapped. The provision of railway facilities in Sindh is yet very inadequate. Even if the half a dozen railway lines projected at present were to be taken in hand, the Railway authorities would insist on a guarantee, at the lowest computation, of about 20 lakhs a year for a number of years; and because this will eat up by no means a small percentage of the revenues of a separate Sindh, railway development in the province will have to be put off with its inevitable consequences on the

* See a pamphlet by Prof. H. L. Chablani.

agricultural and commercial progress of the province. The cost of its future administration must thus include a large capital investment for the purpose of development The expenditure of a progressive Sindh Government is thus obviously beyond the means of a small administration with slender resources and slender credit in the market. The joint resources and credit of the whole Bombay Presidency including Sindh are to day available for financing schemes of development in Sindh in the same way as it is available for a similar purpose in other divisions of the Presidency.

Too much, I feel, is being built on the increase in land revenue after the Sukkur Barrage Project begins fully to work. According to the estimates of the Project the income expected from the Barrage area from the commencement to the year 1957 in the form of additional assessment or land sale realisations will just repay the Barrage loan and interest. Since then, it has been officially admitted that the cost of the Barrage scheme will go up by three crores, which means a further postponement of the date of redemption of the Barrage debt. There is thus no prospect of any extra income from the Barrage being available for the general expenditure of a separate Sindh Government till some time after 1957. To talk of separating Sindh from Bombay in the near future is, therefore, to ask it to accept stagnation for a considerable length of time while every other part of India will be pushing forward its schemes for the material and moral progress of its inhabitants.

INCREASED TAXATION.

I have no doubt in my mind that the separation of Sindh will immediately result in increased taxation of the people, even if no schemes of development are taken in hand. The main source of Sindh's revenues is land assessment. It is already the complaint of Sindh zamindars that they are heavily assessed. There can, however, be no separation of Sindh from Bombay without a substantial increase in the rates of assessment over and above those contemplated under Sukkur Barrage Project. The tapping of any other source of revenue will yield only a small return. Land assessment is the only item of provincial taxation the incidence of which will have to be unduly raised to meet the cost of a separate Sindh government. The questions whether this is advisable in view of the present high rate of the land tax and possible in view of the dominance of the zamindari element in the personnel of a Sindh Council, cannot easily be answered in the affirmative. The financial objections to the proposal to separate Sindh from Bombay appear to me to be conclusive.

ADVANTAGES OF A BIG PROVINCE.

By the constitution of a separate Sindh province we shall substantially lose our influence with the Government of India and the Secretary of State. The history of the Sukkur Barrage Project will illustrate this. It is an open secret that both the Government of India and the Secretary of State were not over enthusiastic about the Sukkur Barrage Project. It was the weight of opinion of a large provincial Government and the personal influence with the Viceroy of a man of the class from which the Governors of Bombay are selected that made the Secretary of State finally accord his approval to the scheme and the Government of India eventually place its financial resources at the service of Sindh. The credit of the whole presidency was mortgaged as in the case of Deccan irrigational works to secure the necessary financial assistance. The influence and credit of a separate Sindh Government would have totally failed to procure the help from Delhi and Whitehall without which the Sukkur Barrage Project would have remained merely a scheme on paper. We shall, therefore, be placing a heavy handicap on the future progress and material interests of the people of Sindh if we isolate Sindh as a separate unit. Similarly, the irrigational schemes, present and future, of the Punjab are not without their natural prejudicial effect on the supply of water available to Sindh for its own irrigational needs. It has already become necessary for the Government of Bombay to raise its influential voice before the Government of India to prevent the Punjab Government from depriving Sindh of its fair share of the water of the Indus and the Bombay Government is driven jealously to watch, in the interests of Sindh, the progress of irrigational works in the Punjab It goes without saying that a small Sindh government, with a naturally less influential man at its head, will find its fight against the Punjab not at all an easy one. It is not without reason that some administrators of the

Punjab favour the idea of separating Sindh from Bombay and constituting it a separate unit of Government.

Considering the size and financial magnitude of the Sukkur Barrage Project—the biggest scheme of its kind in the history of the world—the task of supervising and guiding the Project to completion and success may be found to be beyond the capacity of a small and new unit of government. It has been convincingly shown that the Bombay Government itself has not attained the proper standard of efficiency of supervision and control so essential in schemes of this magnitude. It will be a great blunder to take risks in a matter of such momentous consequences for the future of the province—great prosperity if the Project succeeds, misery and heavy taxation if it unfortunately fails (even partially).

ALL-INDIA ASPECT.

There are also certain all-India aspects of the question of a separate Sindh which deserve to be carefully considered. I take it that the proposal to separate Sindh is intended to be acted upon while the existing alien bureaucracy is yet installed at Delhi in possession of more or less substantial power. I am firmly convinced that the formation of small provinces in India and the splitting up of the present big provinces into smaller units will result in strengthening the hold of the bureaucracy on India The Government of India finds it easier to deal with and win over small provinces with their weak public opinion than to convince and conciliate large and influential provinces like Bombay, Bengal and Madras. The greater the number of Indian provinces and the smaller their size, the easier it is for the Government of India to stimulate provincial rivalries and set one province against another and thus retain its bureaucratic power. Apart from this, the constitution of numerous and increasingly autonomous provinces on linguistic and cultural bases involves serious risk of accentuating differences and disintegrating the nation.

QUESTION OF FOREIGN RELATIONS.

We are prone to consider all proposals for redistribution of provinces or formation of new ones from the comparatively narrow point of view of the good they will do to the concerned. We have lost for so long the opportunity to deal with questions of India's foreign policy, the relations of our Motherland with neighbouring or distant nations and the future possible developments and variations of those relations, that we are likely to consider proposals for the redistribution of our frontier provinces without reference to those relations and their future variations. It is my conviction that if India were to-day a self-governing' nation and its relations with its western neighbours from the Hindukush to the Arabian Sea were not of the best, it would be regarded as a great strate ic blunder to break up India's western frontier into small bits of puny autonomous governments like those suggested for the N. W. Frontier Province, Baluchistan and Sindh. I would keep these strategic frontier tracts attached to large provincial governments and thus not only improve our arrangements for national defence but also give to the people of those tracts a larger share of the benefits of a reformed government by association with large provinces than they can hope to enjoy under a separate existence in view of the accepted policy of differential treatment to minor provinces and backward tracts. Any redistribution we effect now under the present feeling of security cannot easily be undone when we have our own national Government, for territorial readjustments are never the work of a day.

I have ventured to indicate above, in brief, a few of the principal reasons which militate against the formation of a separate Sindh province. The question of mixed electorates is, as I have said, an independent question and such electorates must be accepted or rejected by Muslims on their merits. The Hindu community loses under mixed electorates the opportunity of sending more communal representatives and so does the Muslim Community. If Hindus are prepared to sacrifice this advantage in the interests of national progress, so should the Muslims (;) and this mutual sacrifice or give and take should form the basis of settlement till better conditions prevail and the principle of communal representation is entirely eliminated from Indian polity.

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