

Thursday, 17th March, 1921

THE
COUNCIL OF STATE DEBATES
(Official Report)

VOLUME I

2
27.2.62.

FIRST SESSION
OF THE
COUNCIL OF STATE, 1921



DELHI
SUPERINTENDENT GOVERNMENT PRINTING, INDIA
1921

	PAGE
MONDAY, 28TH FEBRUARY, 1921	275—314
Death of Dr. Sir Rash Bihari Ghose.	
Questions and Answers. Matter of Procedure.	
Business for 1st March, 1921, and Place of Sitting.	
Code of Criminal Procedure (Amendment) Bill.	
Land Acquisition (Amendment) Bill. Enemy Missions Bill.	
Code of Civil Procedure (Amendment) Bill.	
Maintenance Orders Enforcement Bill.	
Indian Tea Cess (Amendment) Bill.	
Resolution <i>re</i> Burma Reforms Scheme.	
TUESDAY, 1ST MARCH, 1921	315—346
Questions and Answers.	
Resolution <i>re</i> power of issuing licenses for export of Rice to be kept in the hands of Local Governments.	
Resolution <i>re</i> Indians in Overseas Dominions.	
Resolution <i>re</i> Income-Tax Rules.	
Budget for 1921-22.	
THURSDAY, 3RD MARCH, 1921	347—412
Oath.	
Procedure by a reference to Joint Committee.	
Resolution <i>re</i> Slaughter of Cows.	
Resolution <i>re</i> Religious Susceptibilities of His Majesty's Subjects.	
Resolution <i>re</i> Removal of Excise and Customs Duty.	
Resolution <i>re</i> Amendment of certain Enactments in regard to use of Firearms.	
TUESDAY, 8TH MARCH, 1921	413—432
Questions and Answers.	
Distribution of Legislative Assembly List of Business, etc., to Members of Council of State.	
Resolution <i>re</i> Release of Prisoners sentenced by Martial Law Courts.	
WEDNESDAY, 9TH MARCH, 1921	433—478
Government Business for the 17th March, 1921.	
Housing Committee.	
Resolution <i>re</i> Severance of Judicial from Executive Functions.	
Resolution <i>re</i> Export of Food-Grains.	
Resolution <i>re</i> Advisory Board for High Commissioner.	
Resolution <i>re</i> Leave to Members of the Provincial Services.	
THURSDAY, 17TH MARCH, 1921	479—516
Statement laid on the Table.	
Questions and Answers.	
Dr. Sir Rash Bihari Ghose.	
Representation on the Housing Committee.	
Government Business for 26th March, 1921.	
Enemy Missions Bill. Land Acquisition (Amendment) Bill.	
Legislative Assembly (Deputy President's salary) Bill.	
Resolution <i>re</i> Exchange Situation.	

COUNCIL OF STATE.

Thursday, the 17th March, 1921.

The Council assembled at Metcalfe House at Eleven of the Clock, with the Honourable the President in the Chair.

STATEMENT LAID ON THE TABLE.

The HONOURABLE MR. E. M. COOK: Sir, I beg to lay on the table a statement on the subject of applications made by Income-tax assesses to the Chief Revenue Authorities under section 51 of the Income-tax Act, 1918, which was promised in reply to a question* asked by the Honourable Mr. Chettiyar at the meeting of the Council of State held on the 14th February, 1921.

Statement of applications to the Chief Revenue Authorities under section 51 of the Income-tax Act, 1918, since the passing of the Act.

	No. of applications received.	No. of applications granted.	No. of cases of intervention by mandamus.
† Madras	34	2	4
Bombay	18†	1	1
Bengal	4	3	...
United Provinces	2	1	...
Punjab	1	1	...
Burma	3	1	...
Bihar and Orissa	2	2	...
Central Provinces . . . .	...	...	...
Assam . . . .	...	...	...

† For 1919-20 only.

‡ This includes 4 applications which are still under consideration and also applications under Excess Profits Duty.

QUESTIONS AND ANSWERS.

SALARIES OF PROVINCIAL FOREST SERVICES.

200. The HONOURABLE SARDAR JOGENDRA SINGH: Is the Government aware that the revised scale of salaries of the Provincial Forest Service

*Vide page 20 of Volume I, No. 3 of the Council of State Debates.

has given rise to great discontent among the members of that service? Have the Government received memorials from that service, and if so, what action has been taken?

The HONOURABLE MR. B. N. SARMA : Memorials are being received and are under consideration.

EMPLOYMENT OF INDIAN TROOPS OVERSEAS.

201. The HONOURABLE RAJA SIR HARNAM SINGH : (a) Will the Government be pleased to state what the practice has been in the past, governing the employment of Indian troops overseas?

(b) Has there been any recent departure from this practice, or is any such departure contemplated for the near future?

(c) If so, what are the reasons for the change?

(d) Was public opinion of the Legislature consulted by the Government before coming to a decision in the matter?

(e) Will the Government be pleased to lay on the table the correspondence, if any, relating to the employment or non-employment of Indian troops overseas, between the Secretary of State for India and the Governor General in Council?

(f) Will any distinction be made, in future, in the matter of service overseas, between the Indian and the British troops?

(g) If so, why?

(h) Are the Government aware of the fact that there is in India a school of public opinion which holds that all questions relating to the employment or non-employment of Indian troops overseas should be decided with the general consent of the Indian Legislature?

The HONOURABLE SIR WILLIAM VINCENT : (a) Prior to the war, Indian troops were employed overseas at the expense of His Majesty's Government, on garrison duty at Hong Kong, in North China, at Singapore, in Ceylon and the Persian Gulf. Indian troops have also been employed overseas in active operations in Egypt, Somaliland, China, and other parts of the World.

(b) The Honourable Member must, of course, be aware that there has been a very considerable departure from this practice during the Great War, when hundreds of thousands of Indian troops fought for the Empire in practically every theatre of war. Since the Great War, considerable numbers of Indian troops have been employed in Egypt, Palestine and Mesopotamia, and a few in East Persia. These troops are being repatriated as rapidly as circumstances permit, but considerable numbers of Indian troops are still employed in the areas mentioned. As regards the nature, the policy of the Government of India has been to press for the return of Indian troops to India, on the ground that their continued employment overseas is contrary to the wishes of the people of India, and moreover renders it difficult for the Government of India to reorganise the Army on a post-war basis.

(c) The main reason for the extensive employment of Indian troops overseas has, of course, been the needs of the Empire when waging a world-wide war.

(d) If the Honourable Member refers to the decision to employ Indian troops overseas in the Great War, the answer is that public opinion, as expressed in the Press, was clearly in favour of such a course. The Legislative Council was not sitting at the time when the first Indian Expeditionary Force was despatched to France, but a reference to the debate which took place in the Imperial Legislative Council on 8th September, 1914 will show that the action of the Government of India received the hearty support and approval of the Legislature.

(e) The Government of India regret that they are unable to comply with this request.

(f) and (g). The Government of India are not primarily concerned with the service overseas of British troops. The only British troops under their administrative control are those which are supplied by the Home Government for duty in India. As regards the Indian troops, the Government of India have no reason to fear that, if a national emergency were to arise in which the services of Indian troops were required for active service overseas, India would not afford the same generous assistance to the cause of the Empire as it rendered during the Great War. If the Honourable Member, however, refers to garrison duty overseas, the answer is that the matter is still under the consideration of the Government of India and the Secretary of State.

(h) The Government of India have no definite knowledge on this subject. They note, however, that a notice has been recently given of a Resolution on this subject in the Legislative Assembly, from which they infer the existence of a school of public opinion holding the views mentioned in this part of the question.

VEXATIOUS PROSECUTIONS UNDER DEFENCE OF INDIA ACT, 1917.

202. The HONOURABLE MR. G. S. KHAPARDE: (a) Will the Government be pleased to state whether the Secretary of State for India forwarded under his memorandum No. F-14435 of 30th November, 1920 to the Government of India, a petition from C. S. Sitaram Aiyer of Conjeeverum asking for payment of damages for vexatious prosecution against him under the Defence of India Act in 1917?

(b) If the answer to (a) be in the affirmative, have any, and if so, what steps been taken to pay the damages to the said C. S. Sitaram Aiyer of Conjeeverum?

(c) Did C. S. Sitaram Aiyer of Conjeeverum submit to the Government of India petitions dated 17th September, 1920 and 29th October, 1920 for employment and general pardon?

(d) If the answer to (c) be in the affirmative, what are the orders passed on the said petitions?

The HONOURABLE SIR WILLIAM VINCENT: (a) and (b). A copy of an original petition which had been submitted to the Government of Madras was received from the India Office, but not with the memorandum cited by the Honourable Member. This was accordingly forwarded to the Local Government for disposal.

(c) and (d). A petition dated 17th September was received but not one dated the 29th October, 1920. It was returned for re-submission through the Madras Government.

APPOINTMENTS FOR THE SUBORDINATE ACCOUNT SERVICE.

203. The HONOURABLE NAWAB MUHAMMAD ABDUL MAJID : Will the Honourable the Finance Member be pleased to lay on the table a statement showing the number of permanent, probationary, temporary, provisional, sub. *pro tem.* and officiating appointments of the Subordinate Account Service filled by the members of the Christian, Hindu and Muhammadan communities, respectively, in the office of the Accountant General, Posts and Telegraphs, Calcutta, and the offices subordinate to it?

The HONOURABLE MR. E. M. COOK : A statement is laid on the table.

Offices under the Accountant General, Posts and Telegraphs.

Office.	Per- manent.	Proba- tionary.	Provisi- onally Substantive.	Officiating.	Tempo- rary.	TOTAL.
Central Office . . .	9	1				10
Calcutta Postal Office . .	11	2		2	2	17
Telegraph Audit Office .	16		2	2	2	22
Telegraph Check Office .	1	...	...		...	1
Delhi Office . . .	12	...	1	1	1	15
Nagpur Office . . .	10	...	...	1	1	12
Madras Office . . .	10	...	...	3	2	15
Total .	69	3	3	9	8	92

Eight of the members of the permanent establishment (one in each of the Central, Calcutta Postal, Telegraph Check, Offices, two in the Nagpur Office and three in the Madras Office) are Christians. Two are Muhammadans, one a permanent man in the Telegraph Check Office and one a probationer in the Central Office. The rest are Hindus. There are at present no sub. *pro tem.* vacancies in any of these offices.

MUNITIONS DEPARTMENT, GOVERNMENT OF INDIA.

204. The HONOURABLE MR. G. S. KHAPARDE : (a) Will Government be pleased to state whether the prosecutions now proceeding in Bengal on charges of fraud and other allied offences in connexion with the supply of war materials to the Board of Munitions, were undertaken at the instance of the Munitions Department (Government of India) ?

(b) If the answer to (a) be in the affirmative, who is financing the prosecutions ?

The HONOURABLE MR. A. C. CHATTERJEE : (a) The prosecutions were undertaken at the instance of the Board of Industries and Munitions.

(b) The prosecutions are being financed by the Government of India.

INDIAN EDUCATIONAL SERVICE.

205. The HONOURABLE MR. G. S. KHAPARDE : Will the Honourable Member for Education be pleased to state the steps that have been taken as the result of the recommendation of the Public Services Commission for the Indianisation of the Indian Educational Service by (1) direct recruitment, and (2) promotion from the Provincial Educational Service ?

The HONOURABLE MR. SHAFI : The Royal Commission on the Public Services in India recommended that three-quarters of the posts contained in Class I of the Indian Educational Service, in accordance with the reorganisation they proposed, should be filled by officers recruited in Europe, provided suitable candidates could be obtained, and that one-quarter of the posts should be filled through recruitment in India. As new posts were created recruitment in Europe and India should be so adjusted that the additional officers would be taken half from the one country and half from the other. The Government of India, in addressing the Secretary of State, recommended that the proportion of Indians who could suitably be included in the Indian Educational Service was 50 per cent., and that this should be regarded as the average proportion throughout India as a whole, variations being permitted in different provinces and Burma being for the present excluded from the calculation. This recommendation of the Government of India constituted a marked advance on the proposals of the Public Services Commission. It was sanctioned by the Secretary of State in November 1919. With a view to showing the manner in which this recommendation has already been carried out, it will be convenient to consider the proportion of Indians in the Indian Educational Service at the time when the Commission concluded its sittings and the proportion which exists to-day. On the 1st July, 1915 the number of Europeans in this service was 201 and that of Indians 5. The percentage of Indians to the total number was 2·42. On the 1st March, 1921 the number of Europeans and Anglo-Indians in the Service was 205 and of Indians 111. The proportion of Indians to the total number was thus 35·12. Of the 111 Indians in the service 31 have been appointed direct, 75 have been promoted from the Provincial Educational Service, and 5 have been promoted from outside posts. The figures which I have given exclude Directors of Public Instruction, Members of the Women's Indian Educational Service and Members of the Chiefs' Colleges cadre.

EXECUTIVE COUNCIL, BIHAR AND ORISSA.

206. The HONOURABLE MR. LALUBHAI SAMALDAS : With reference to the reply to *question No. 9 (b) of the Honourable Mr. Sethna saying 'It was not considered desirable that the European official element should form so small a proportion of the Bihar and Orissa Government',

* Vide page 20 of Volume I, No. 3 of Council of State Debates.

will Government be pleased to say if that is the opinion of the Bihar Government or of the Government of India or the Secretary of State?

The HONOURABLE SIR WILLIAM VINCENT: The opinion was that of the Government of India and was accepted by the Secretary of State.

As regards the Bihar Government I would refer the Honourable Member to the debate which took place in the Legislative Assembly on the 5th March.

UNDELIVERED GOODS AT PORTS.

207. The HONOURABLE MR. LALUBHAI SAMALDAS: With reference to the reply to *question No. 47 of the Honourable Mr. Chettiar, regarding goods lying undelivered at ports, will Government be pleased to say if they are aware that delivery is not taken because exchange has gone down?

The HONOURABLE SIR GEORGE BARNES: The Government of India have no doubt that there are cases in which delivery has not been taken for the reason stated by the Honourable Member.

BURMA'S RECRUITMENT FOR TERRITORIAL FORCE.

208. The HONOURABLE MAUNG PO BYE: (a) Is it a fact that Burma showed the highest average of recruitment when called for by the Government to enrol in 1917 in the Territorial or second line force in India?

(b) What action is being taken for the formation of a unit of Indian Territorial Force in Burma as recommended by the Esher Committee in Part VI of their Report?

(c) Is there any complaint in the Burmese regiments that the ration standard should be different in kind from Sepoy regiments?

(d) Is it proposed to allow the ration standard of European soldiers with the alteration of bread to rice, to those Burmese soldiers who desire to have such ration?

The HONOURABLE SIR WILLIAM VINCENT (*on behalf of His Excellency the Commander-in-Chief*): (a) The answer is in the affirmative.

(b) The draft Rules under the Indian Territorial Force Act, 1920, have recently been published in the Gazette of India, for information and criticism. As soon as the rules are finally approved, action will be taken for the formation of a unit in Burma.

(c) No complaints or requests have been received from Burmese regiments, excepting a demand for beef. It is not proposed to accede to this request as meat is not included in the Indian ration. If required, a supply can be arranged by the Commanding Officer and paid for from the monthly messing allowance.

(d) It is not considered necessary to give a British ration to Burmese soldiers. The Indian ration is its equivalent in food value generally, and the scale of equivalents enables variations to be made.

POWER OF MAKING WILLS.

209. The HONOURABLE MAUNG PO BYE: (a) Are the Government of India aware that Burmese Buddhist people are claiming to exercise the power of making wills?

*Vide page 36 of Volume I, No. 3 of Council of State Debates.

(b) Is this a matter which relates to a central subject under Rule 3 (1) and Schedule I, item 16 of the Devolution Rules, with which the Burma Legislative Council cannot deal?

(c) If so, will the Government of India be pleased to announce what steps it proposes to take in the matter?

THE HONOURABLE SIR WILLIAM VINCENT: (a) The Government of India have no official information on the subject.

(b) While it is true that the question of enabling Burmese Buddhists to make wills would be a central subject under the rules referred to by the Honourable Member, Legislation to this end could be undertaken in the Burma Legislative Council, with the previous sanction of the Governor General, under section 80-A, sub-section (3), clauses (e) and (h), of the Government of India Act.

(c) The Government of India do not propose to take any action in the matter. They have observed that it was announced in the Burma Legislative Council on the 17th April, 1920 on behalf of the Local Government that the Local Government had decided to defer the consideration of the question of extending the power of making wills to Burmese Buddhists until the Local Council is enlarged on the introduction of the scheme of Reforms for Burma.

DR. SIR RASH BEHARI GHOSE.

* **THE HONOURABLE THE PRESIDENT:** Honourable Members will recollect that on the occasion of the lamented death of the late Sir Rash Behari Ghose, I gave a promise to this Council that I would cause its sentiments to be communicated to his relatives. A letter has now been received from Mr. Bepin Behari Ghose, Vakil of the High Court, who, I understand, is the nearest relative of the late Member, which I will ask the Secretary to read to the Council.

Dated Calcutta, the 15th March 1921.

FROM—BEPIN BEHARI GHOSE, Vakil, High Court,

TO—THE HONOURABLE MR. H. MONCRIEFF SMITH, C.I.E., Secretary to the Council of State.

I beg to acknowledge, with thanks, the receipt of your letter No. 1330, dated the 1st March, communicating to me and to the other relatives of my late brother, Sir Rash Behari Ghose, the deep sympathy of the Members of the Council of State with us in our grievous loss, and the proceedings of the Council of State of the 28th February last, enclosed with your letter dated the 10th March.

I should feel much obliged by your kindly conveying to the Honourable the President and the Members of the Council our deep sense of appreciation of the feeling terms in which reference was made in the Council about my deceased brother, and our grateful thanks for their kind message of sympathy in our great bereavement.

REPRESENTATION ON THE HOUSING COMMITTEE.

THE HONOURABLE THE PRESIDENT: I would remind Honourable Members that this Council has to provide for its representation on the Housing Committee to which I referred the other day. I understand that the various

[The President.]

groups of Members met on the occasion of the last ballot. The names of the following Members have been submitted to me, and I have much pleasure in nominating them to that Committee. They are as follows :—

The Honourable Lala Sukhbir Sinha to represent the orthodox Hindus.

The Honourable Mr. Altaf Ali to represent the Muhammadans.

The Honourable Mr. A. H. Froom to represent the European Members.

The Honourable Raja P. N. Roy to represent the non-orthodox Hindus.

I trust these appointments have the concurrence of the Council.

GOVERNMENT BUSINESS FOR SATURDAY, 26TH MARCH, 1921.

THE HONOURABLE THE PRESIDENT: I have one other announcement to make. I understand that for purposes of Government business it will be necessary for this Council to meet on the 26th March—a somewhat inconvenient day, being Easter Saturday, but it is unavoidable.

I propose, therefore, that the Council should meet on that date at the usual hour, but should not sit later than 1-30 P.M. If, after Government business has been disposed of, any time is available, I propose to take any Resolutions remaining over from the list of the 24th March.

ENEMY MISSIONS BILL.

THE HONOURABLE SIR WILLIAM VINCENT: Sir, I move—

‘That the Bill to validate certain indentures transferring properties formerly held by certain Enemy Missions in Trustees and for the incorporation of such Trustees and for other purposes be taken into consideration.’

I explained the objects of this Bill when I introduced it and Honourable Members have now had an opportunity of examining it for themselves. I have received no suggestions from any Member, nor have I received any notice of amendment. I conclude, therefore, that the Bill has met with the approval of this Council and I need not detain Honourable Members over this motion.

The motion was adopted.

THE HONOURABLE SIR WILLIAM VINCENT: Sir, I move that the Bill be passed.

The motion was adopted.

LAND ACQUISITION (AMENDMENT) BILL.

THE HONOURABLE MR. B. N. SARMA: Sir, I move—

‘That the Bill further to amend the Land Acquisition Act, 1894, be taken into consideration.’

The question, as to whether, and under what conditions, appeals should lie to the Privy Council in Land Acquisition Act cases has been before the country for some time past. I explained at some length the objects of the Bill on a previous occasion to the Council, and no criticism or comments have been

received by me up to date. I take it, therefore, that the Bill, as introduced, has the approval of the House and the country generally. I ask that it be taken into consideration.

The motion was adopted.

The HONOURABLE MR. B. N. SARMA: Sir, I move that the Bill be passed.

The motion was adopted.

LEGISLATIVE ASSEMBLY (DEPUTY PRESIDENT'S SALARY) BILL.

The HONOURABLE SIR WILLIAM VINCENT: Sir, I move—

‘That the Bill to determine the salary of the Deputy President of the Legislative Assembly, as passed by the Legislative Assembly, be taken into consideration.’

This Bill was introduced in the Legislative Assembly on the 15th February. It was passed on the 22nd February, was laid on the table of this Chamber on the 24th February in accordance with the rules, and, if I remember right, I gave notice then that I should move later that it be taken into consideration. The Bill is framed in accordance with one of the provisions of section 63-C of the Government of India Act, 1919, which runs as follows:—

‘The President and Deputy President shall receive such salaries as may be determined, in the case of an appointed President by the Governor General and in the case of an elected President and Deputy President, by Act of the Indian Legislature.’

The present President of the Indian Legislative Assembly has been appointed and not elected, but the Deputy President was elected. The proposed salary is Rs. 1,000 per mensem for such time as he may be engaged in the business of the Assembly, and if any difference arises as to the period during which he is so engaged, the point is to be settled by the decision of the President. The Government of India, in introducing the Bill, inserted Rs. 1,000 purely tentatively, and were quite prepared to alter it if any other amount had appeared more suitable to the Legislative Assembly. They accepted the proposals of Government and, as this is really a domestic matter for the Assembly to fix for themselves, I trust that this Council will give effect to their wishes in the matter.

The motion was adopted.

The HONOURABLE SIR WILLIAM VINCENT: Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

RESOLUTION RE EXCHANGE SITUATION.

The HONOURABLE MR. KALE: Sir, the Resolution which I beg to move runs as follows:—

‘This Council recommends to the Governor General in Council the urgent necessity of an inquiry by a special representative committee into the exchange situation with a view to suggest suitable remedies to relieve the existing tension connected therewith and to consider if it is not desirable to propose an alteration in the exchange value of the rupee fixed by law, and a modification of the currency system so as to place it on a gold standard basis.’

I regard it as a distinct advantage that the discussion on the Resolution has come up before this Council at this stage of the Session. We have had

[Mr. W. G. Kale.]

the benefit of the lucid exposition on the financial and exchange and currency situation which has been given by the Honourable the Finance Member. There are also discussions going on in the Press and on the platform on this subject, so that my task has been simplified by the fact that Honourable Members are in possession of certain facts regarding the existing exchange situation.

The Resolution, as it stands, is likely to appear unwieldy, and it might be thought that it includes too many subjects which must be separately dealt with. As a matter of fact, the Resolution makes one request to Government, namely, that they should cause a formal inquiry to be made into the exchange and currency situation. This is the immediate aspect of the problem which we have to face. The exchange situation has become very difficult and very serious, and in my opinion that question should be settled once and for all. If this is done, it would be to the advantage of all parties concerned, Government included.

The second aspect of the question is, what are the Government going to do in reference to the permanent system of exchange and currency in this country? That is the two-fold aspect of the exchange problem which I want to place before this Council.

Coming to the first aspect, let me briefly put the whole situation before this House. But in doing so, I do not wish to take up much of the time of the Council, inasmuch as most Honourable Members are acquainted with the way in which the exchange situation has developed during the last six months. As Honourable Members are aware, the rupee in this country has long been linked to the English sovereign and the ratio has been one rupee equivalent to 16 pence. During the period of the war, on account of various causes into which it is not necessary for me to go at this stage, on account of the contribution that India made towards the successful prosecution of the war, on account of the rise in prices of ordinary commodities all over the world, on account of the strain which was put upon the available supplies of silver, on account of the consequent rise in the price of that metal and on account of the impossibility of India receiving payment in gold for its exports, the Government found it necessary to raise the exchange value of the rupee from 16 pence, at which level it had remained for many years. The exchange was raised by steady stages till eventually it went up to the neighbourhood of 28d.; but the Government did not know where the exchange would stabilize itself. The situation was so uncertain that the Secretary of State found it necessary to order an inquiry into the whole question, and that question was as to where the exchange value of the rupee should be established. That was one of the chief terms of reference given to the Committee which began its work in the month of May 1919. The recommendations of that Committee, which were published at the beginning of last year, were that the rupee should be stabilized at 2 shillings (gold) and that other measures should be taken in order to carry into effect this policy.

The recommendations made by the Committee were accepted by the Secretary of State and whole-heartedly supported by the Government of India. It was in consonance with that policy that the Government of India found it necessary to sell Reverse Councils on a very large scale, and those Reverse Councils happened to be sold at a rate which was considerably higher than the market rate which prevailed for the time being. The justification for the

policy of Government was that inasmuch as the recommendation of the Currency Committee had been accepted that the equivalent of the rupee should be 24 pence (gold), Reverse Councils had to be sold if effect was to be given to that policy. There were ~~and~~ protests against the reckless sale of Reverse Councils, and the Government realised very soon afterwards that it could not maintain the exchange at 24 pence gold, and it came down to the rate of 24 pence sterling. Even the new rate could not be given effect to later and ultimately—about the month of September last year—it had to be abandoned. But the policy was not abandoned before legislative sanction was secured for the high rate of exchange, *viz.*, 24*d.* (gold). Government was told :—‘ You have not succeeded in giving effect to the recommendations of the Currency Committee ; you were in a hurry to give effect to the main recommendations ; wait and see how it will turn out before you legislate. ’ As I said, the Government persisted in its policy and the rupee was fixed at 24 pence gold. All financial calculations were made on that basis, and even in the year to come you will see the effect which calculations made on that basis will have, though allowances have been made. A large number of Indian merchants were under the impression that they would be doing well if they ordered goods from abroad owing to the very favourable conditions then existing and on account of what they regarded as an assurance from Government that every effort would be made to maintain the exchange at 24 pence sterling, if not at 24 pence gold, and here an important point arises.

On behalf of Government it was contended that no promise was made and that no assurance was given that Government would maintain at any cost the high exchange value of the rupee. On the other hand, merchants found that their goods were flooding the harbours and quays and that they were not able to take delivery and that they were faced with enormous losses. They said : ‘ We were under the impression—and the Government is responsible for that impression—that the exchange would be maintained at 24 pence sterling if not at 24 pence gold. ’ Prices have gone down in the markets while importers have to pay the old high prices. Contracts were made when it was expected that certain prices would rule and a certain exchange rate would also rule. But what do we find ? We find that the prices have collapsed and the exchange has also collapsed. The difficulty, therefore, is a double one, difficulty in connection with the rate of exchange, and the difficulty in connection with prices. The market is flooded with goods at the present time and there is no demand. How are merchants to meet their contracts ? How are they to carry on their business ? Even though they are willing to fulfil their contracts, how are they practically to do it ? Government say that they are not responsible for what has happened ; that it is a matter in which two parties, buyers and sellers, are concerned and that they have nothing to do with it, as they have made no promises. The strongest objection has here been taken to certain statements which have been made by the Honourable the Finance Member when he said something about the commercial morality of the import merchants. This is what the Honourable the Finance Member said :

‘ Ordinary commercial prudence should have led merchants to cover their exchange. Common commercial morality should at all events prevent those who desire to dishonour their contracts from pleading so unsubstantial an excuse as the failure of Government to make its policy good ’.

I am not here to plead the cause of import merchants. I ~~do~~ not want to speak on behalf of any class of commercial people. I am here to deal with the question as a detached student of the commercial and general economic

[Mr. W. G. Kale.]

conditions of the country. I want to look at the question from the general citizen's point of view, from the point of view of the nation as a whole. And yet, I cannot but feel that this attitude on the part of Government is absolutely unjustified. Government say they are not responsible. I cannot understand how they are not. If there is want of commercial morality on the part of importers, can they not retort and say : ' If there is want of commercial morality on our side, have Government carried out their pledge? Have they fulfilled their promise? '. In a few minutes I hope I shall be able to convince Honourable Members what is the responsibility of Government. The very fact that we have in this country a Gold Exchange standard devolves on Government the responsibility of maintaining the exchange. Apart from that, Government deliberately assumed that responsibility. They said : ' This is the policy recommended by the Currency Committee. We whole-heartedly accept it. ' Not only that. They began to carry out that policy and they tried to do it against loud and universal protests on the part of the country. Then in the month of June they declared for 24*d.* sterling. In September they came to the Legislature and asked for legislative authority for the rate of 24*d.* gold. In the face of these, are the importers not correct in carrying away the impression that Government want to stabilize exchange at 24*d.* sterling? What can any business man have done in those circumstances? Here is a Government which is ordinarily responsible for the maintenance of the exchange, a Government which has wasted 55 millions of India's wealth in a vain attempt to maintain the exchange. Here is a Government which has gone to the Legislature for sanction to maintain the rate of exchange at 24*d.* gold. The law is passed. And yet Government say that they are not responsible. If an all-powerful Government—I may be pardoned for saying so—cannot foresee the future, how can importers foresee the future? How can they be expected to cover their operations? On what basis can they cover their operations in the face of so much uncertainty about the future? Of course I am not one of those who argue : ' Well, you have made your bed; you must lie on it. ' At the same time I cannot refrain from saying that Government cannot shirk their responsibility. They must assume the responsibility which belongs to them. They cannot turn on the importers and say that their business policy is lacking in morality when the same charge can be brought to them that they have not been able to carry out their own declared policy. What is a promise? What is a pledge? Need it be a written bond? Is not the very system a sufficient promise? Are not the measures taken by Government a sufficient promise to the importers?

I want to place before the Council another aspect in connection with the question of the present exchange situation. Granting for a moment that Government cannot do what they are called upon to do, should not Government try their best at least to minimise the evil? I am no supporter of some of the Resolutions which have been passed by import merchants in various parts of the country. I do not wish to encourage the idea of wholesale repudiation of the contracts by import merchants. But I want to bring to the notice of this Council the fact that the importers have been driven to desperation. When they are threatened with bankruptcy, what are they to do? Is it not the duty of Government, as representing the whole nation, to come to their rescue? But they may say : ' Place before us concrete proposals; let the merchants who are suffering propose concrete

schemes'. Of course, it is very difficult to propose concrete schemes, and I would also say that it is not fair on the part of Government to ask people to propose practical measures. However, the import merchants and others, who are interested in this question must try their best to help Government. I do recognise that nothing ought to be done by any class of people at this moment which would embarrass the Government, whose financial difficulties are very serious, and that nothing should be said or done which would multiply those difficulties or intensify that embarrassment. But at the same time, cannot Government do something in the matter? For example, cannot Government use their influence with people in Manchester and with the large importing houses? I think that if Government were to take it into their head to do so, they could do a good deal. Honourable Members must have seen the controversy going on in England at the present moment. I shall not weary the Council by reading extracts. But I will simply show that Sir Claude Hill, a former Member of the Government of India, has taken a very reasonable view of the matter. He has written to the London papers and he has said explicitly that the wrong which is attributed to import merchants is after all not justified. A correspondent of an Indian paper observes as follows :—

'The fact is that both sides need patience and goodwill in understanding the point of view of the other. Sir Claude Hill argues to-day that the heavy fall in exchange has involved the importers in such enormous potential loss that the gains of an earlier date from high exchange are negligible. He holds that the importers in many cases are unable to meet the losses incurred, and that the alternative to the repudiation which the meeting so rightly criticised is for them to go into liquidation forthwith. Happily there is a third alternative in mutual adjustment, and the way thereto can be greatly simplified by the rescindment of the provocative Resolutions to which the meeting on Monday took justifiable exception'.

Some measure of this character, I think, must be taken by Government for bringing together the two parties which are pulling in opposite directions, and finding a common ground, a sort of half way. It will not be an unusual step on the part of Government to take. During the war Government has interfered very often in this manner? Government has very often called upon merchants to help them in this way. I have a copy of a telegram from the Government of India, Commerce and Industry Department, issued in August 1914 to merchants and the Resolution passed by those merchants :

'In view of dislocation caused by war and consequent impossibility of merchants adhering to contract time, it is requested that you will appeal through Chambers of Commerce to the various Native Piecegoods Associations to extend deliveries under Force Majeure clauses for two months for goods now under contract.'

And this is their Resolution :

'As Delhi is a season's market which opens in September and closes in November, the greatest latitude for extension of shipment that the Committee feel justified in recommending Members to agree to, provided their buyers concur, can only apply to goods contracted for shipment in July. They recommend buyers to accept July's shipment goods provided they are landed in India on or before 31st of October 1914. In view of the exceptional conditions caused by the war, the Committee appeal to the piecegoods traders to meet the situation in a patriotic spirit.'

That is the wording of the Resolution passed by those merchants. It was through a sense of patriotism that these merchants helped Government and also the Manchester manufacturers. Is it not the duty now of manufacturers and shippers and of the Government also to meet import merchants when they find themselves in a hole. We cannot but sympathise with them. It is not

[Mr. W. G. Kale.]

a question of sympathy alone. It is the interest of the country itself. What will be the consequences of a repudiation of the contracts? The whole country will suffer on account of the dislocation of trade and business and of the money market. This will be a disaster to the country which the country must try to avoid and Government in this way and other ways can certainly relieve the situation. There is another aspect of the situation. Even if merchants are actuated by a desire to meet their contracts, I am told they are unable to pay and we have to consider everything that can be done to enable those people to tide over the difficulty. I do not want to say anything about the rate of exchange to be settled. I do not think it will settle at 2s. However, if by mutual agreement anything can be done in these two directions and if the Government can help the merchants to tide over the difficulty, I think everything ought to be done, if possible. It is for this purpose that I have proposed that a committee should be appointed, so that confidence may be restored to the money market and the importers. The merchants will feel that 'something has been done ; our people are being consulted by Government ; Government is trying its best and if Government tries its best and fails, then nobody is to blame.'

The reason why I bring in the question of permanent arrangements in the second part of my Resolution is that during the next few months the situation with regard to exchange will have to be watched and a permanent policy adopted. There is, I may tell the Council, a good deal of very strong feeling in the country relating to this question. Rightly or wrongly, there is suspicion abroad with regard to Government's financial policy, and if confidence is to be restored it can be done only by a public inquiry. But it will be said, how can an inquiry be made into conditions relating to exchange and currency, when we do not know what will happen to-morrow? I do not mean to suggest that the Committee of Inquiry will be immediately able to propose a particular rate of exchange. I do not mind if it is 16d. or 18d. or whatever it may be. I want an inquiry and I strongly feel that in the near future such an enquiry should be made. I want to warn the Government that there is a feeling in the minds of the people that the Government of India cannot control its own exchange policy. The Finance Member himself declined to give the information that was asked for in this connection. He said :—

' We have frequently been asked to explain how far the persistence in the selling of Reverse Councils on the system first adopted was due to our deliberate choice, or how far the responsibility lay with the home authorities. Particular emphasis has been laid on the failure to adopt the system of sale by competitive tender. I regret that it is not within the power of Government to answer these inquiries.'

The Council will, of course, draw its own conclusion. The conclusion is obvious. If that is so, is it not desirable that an inquiry should be made in this country largely by experts from India, by people who are interested in the affairs of India and who have got a stake in the country? Is it not necessary that such an inquiry should be made? Whenever an attack is made upon Government with reference to its exchange policy, it cries : ' Hold, hold, I have a partner in this business.' We know that Government has a partner in this business and that he is the predominant partner. Now the spirit of the reforms is, we have been told, that the people in this country will be consulted more and more as to the national policy to be adopted. We have been told that though the people have no real power in the Central Government, we

shall be able to influence the decision of the Government. How are we going to do this unless the people of this country are consulted and consulted in due time? It is no use instituting a committee for making an inquiry when Government is in a position to confront them with an accomplished fact. Already there is evidence in the speech of the Honourable the Finance Member that he is calculating all along on the basis of a rise to 24*d.* exchange. Whether it is 24*d.* sterling or 24*d.* gold he has not told us, but all calculations have been made on that basis. Then, again, he tells us that the time for supporting exchange at 24*d.* gold or sterling, will arrive, that the psychological moment will arrive once more, when the balance of trade will be in favour of India. I cannot understand this attitude. Is it meant that Reverse Councils will be sold when exchange will rise to the neighbourhood of 24*d.* sterling? We do not want the Government to make up its mind with regard to the future policy. We know that all those grounds on which the recommendations of the last Currency Committee were made have been cut off from under our feet. There was the argument of high prices. There was the argument of the price of silver. All those arguments have gone. Circumstances have entirely changed. Everything is in a flux. Exchange has gone down to 15*d.* Is it not the proper time to consider what our future policy will be? Or will the time come when something or other has happened and Government is in a position to say, 'Well, we have arrived at this stage that we do not think an inquiry is necessary.' I should like to give here the story of a gentlemen, charitably disposed, who had at the gate of his house a signboard. Beggars used to come at a certain hour to his house to beg for alms. On one side of the board was a legend 'Too early', and on the other side 'Too late,' and they were alternately displayed. This is what happened with regard to Indian currency. It is too early to make an inquiry because we do not know what is going to happen. Something or other does happen and then Government says, 'It is too late : we have already reached a certain stage when an inquiry would be of no use.' I do not want that the Government should take upon itself the responsibility. We have already had sufficient experience in the past, and there are admissions in the speech of the Honourable the Finance Member himself that mistakes have been committed. Why should Government pursue their policy without consulting the wishes of the people, I do not see. Why should we once more leave our exchange policy to drift? Whenever an inquiry is asked for, the same thing happens. We have had enough experience in the past. The Imperial Legislative Council and the public outside complained, and bitterly complained, with regard to high prices. Government said, 'It is no use having an inquiry made; our currency system is yet too young to be disturbed.' All the same an inquiry did come. When later the Government's currency policy was again attacked in England and in India in 1912, Government said, 'It is no use appointing a commission or committee of any kind.' But the Chamberlain Committee did come. So that, I think, that the Government will have to make an inquiry, and the earlier the better. I know their difficulties; I am not minimising them. I know that a Committee even of archangels will not be able to find a proper solution for the exchange rate at the present moment. But I am now speaking of the immediate future and if the Government says, 'Well, when the time comes for an inquiry, we will take the necessary measures then'. I say that the question must not be disposed of in this fashion. There is a very strong feeling in the country about it. People realise the difficulties of Government, of course, but Government, on the other hand, have alienated

[Mr. W. G. Kale.]

the sympathies of those very classes who have stood by Government, classes who have a stake in the country. They feel that there is something sinister in the Government's policy, some influence around and behind the Government that is working to their detriment. These influential classes have been driven to desperation. Government will be giving a handle to its enemies by refusing an inquiry. Let it be a public inquiry made in India—an inquiry that will inspire confidence in the minds of Indians, whatever the result. The Government has committed mistakes in the past. Even this Committee might make mistakes. In England when all the direct consequences of the war were in full swing, a Currency Committee was appointed to make inquiries, and this Committee made recommendations for the restoration of old currency conditions after the war. Similar committees are always appointed under the like circumstances, and I hope that this House will support me in my request that Government should not, wherever it is possible, resist an inquiry, and that they should take into consideration the strong feeling that exists in the country on this subject, and that having taken all these facts into consideration they should support the request I have made.

With these words, Sir, I move the Resolution.

THE HONOURABLE SIR ALEXANDER MURRAY: Sir, the Honourable Member, when moving his Resolution, started off by using the very words I proposed to use myself, namely, that this Resolution is a very unwieldy one. That it decidedly is. Personally I have seldom seen such an omnibus Resolution either in the Legislative Assembly or in the Council of State. It however divides up easily into three parts. The first deals with the present difficulties, the second is the Honourable Member's proposition that the legal ratio should be changed, and the third that the existing gold exchange standard ought to be removed and replaced by an effective gold standard. I think these were the essential points in his speech.

Now, personally, I have no objection to the appointment of Committees. But it is just another way of shelving difficult subjects, and as far as I can see, that is really what our friend has in view, because he pointedly said that even a Committee of archangels could not settle the existing difficulties, neither are they likely to point out any suitable method of remedying them for some time. I am sure that also is the opinion of the House. At the same time he pointed out that if such a Committee is appointed it ought to contain a substantial element of Indians. I think that was what he was driving at. I quite agree with him there—especially if the Committee is going to take into consideration the circumstances, presently or in the near future, prevailing in India. At the same time, I cannot accept any reflections on the personnel of previous Committees. I think my Honourable friend will agree with us that the Herschell Committee in 1893 was a very well constituted Committee. So was the Fowler Committee, and, I think, the Chamberlain Committee was equally so. It had on it an Indian member and four or five people with intimate knowledge of Indian conditions. Coming even to the last, the Babington Smith Committee, it also had an Indian element and several well-known merchants and officials who knew all about Indian conditions. But while I do not accept any reflections on the character of past Committees, I do agree that in future Committees there ought to be a substantial Indian element, and I have no doubt this will be so on the next Committee when it does sit.

The first part of the Resolution recommends the appointment of a Committee to suggest suitable remedies to relieve the existing tension. Now our Honourable friend has told us in very general terms what the existing tension is, and with reference chiefly to the attitude of certain dealers who refused or delayed to pay their drafts unless at a different exchange rate from that now ruling. He points out that goods were ordered from home on certain assurances—well, they took them for assurances—on the part of Government. The point we have to get at is really who is to blame for these goods being ordered from Home on such a wholesale scale, and who is to be held responsible? Let us admit even that a mistake was made in connection with the report of the Babington Smith Committee, and even in connection with the action that was taken on it. That Committee formed their recommendations largely on the understanding that silver, as our Honourable friend pointed out, would remain high, and also largely on the understanding that exports would exceed imports and give a large balance of trade in favour of India. I take it that these were the outstanding features of the Report, and I do not think on the whole that we can blame them, because in 1914-1915 at the beginning of the War silver ranged between 23 pence and 27 pence per ounce. In 1919, when the Babington Smith Committee was considering the matter, it was as high as 79 pence per ounce.

When the Report was promulgated and the necessary action was taken on it, silver was away up at 89 pence. Now I do consider that the Committee and the Government both had to take into account these very remarkable figures in framing the report and taking action on it, and I am quite sure that neither the Committee nor the Government nor, I believe, any member of the public, ever realised that we were to-day to have silver down at 32 or 33 pence, as it is at the present moment. So much for silver.

Now, as regards the balance of trade. I think that here also the Babington Smith Committee and the Government of India were largely justified in assuming that the balance of trade would continue in favour of India. Because, if you take the five pre-war years, the average balance of trade in favour of India so far as Indian merchandise only is concerned—I am taking only these figures because it is only the interests of importers with which my Honourable friend is concerned—showed an excess of exports over imports of Rs. 78 crores. In the five years of the war the average was Rs. 76 crores per annum, and in the last financial year ending the 31st March 1920, the exports of Indian Merchandise exceeded imports by no less than Rs. 119 crores. In other words, Sir, excluding this year, for the 11 years ending March 1920, the balance of trade was altogether in favour of India, the average being to the extent of Rs. 6½ crores or Rs. 6¼ crores every month. Now, even in the first months of this year, that is to say during January, February, March, April and May, the balance of trade was still in favour of India to the extent of over Rs. 6 crores monthly. That being so, I think that we were all more or less justified in assuming that there would continue a favourable balance of trade so far as Indian Merchandise was concerned. The point is that exception is now being taken to the high rate of exchange, no matter how that was arrived at. I would like to remind my Honourable friend that exchange had risen very high before ever the Babington Smith Committee reported and before any action was taken by the Government of India. As a matter of fact, exchange began rising in a small way in 1917 when it was at from 1·4 to 1·5; in 1918 it rose to 1·6d.

[Sir Alexander Murray.]

and in 1919 it had risen steadily by steps to 2·4*d.*, that is in May to 1·8*d.*, August 1·10*d.*, September 2*s.*, November 2·2*d.* and December 2·4*d.* That was before the Babington Smith Committee reported at all and before any action was taken on their report. When the Committee's report was published exchange was actually at 2·4*d.*

Now I take it that my friend, Professor Kale, was quite in favour of exchange being raised by these steps up 2·4*d.* At least, I have read publications by Professor Kale which lead me to believe that he preferred, when silver was high, exchange being raised and following silver to debasement of coinage, that is to say, reducing the silver contents of the Rupee. So that, I think we may take it that up to the time the Babington Smith Committee reported, our friend, the mover of the Resolution, was quite in favour of the steps that had been taken. I think myself—we are speaking after the event and we can all say it—that probably Government did make a mistake in taking the action that resulted in pushing exchange up to 2·10*d.*; but so far as this question of importers and the Government's responsibility to importers is concerned, I beg to point out that exchange did not stop up there very long. It only moved up in February 1920 to 2·8*d.* and to 2·10*d.*, and for four weeks there were sales made at 2·10*d.* Then for the next four weeks the rate dropped to 2·8*d.*, 2·7*d.*, 2·5*d.* and 2·4*d.* or so. That is to say, the abnormally high rates lasted only a couple of months in February and March 1920. In April, May and June of that year exchange continued at 2·4*d.* and 2·5*d.*, practically where it was before the Babington Smith Committee reported or any action was taken by the Government on that report. I am not speaking here of market rates; I am only dealing with the Government's own rates for Reverse Councils, and to tell the truth, I feel that in introducing this question of Reverse Councils a red herring is being drawn across the trail, because it does not concern this question of high exchange or low exchange except in so far as selling Reverse Councils kept up exchange, which would otherwise have fallen, and in so far that had fewer Reverse Councils been sold there would be more money now available to maintain the gold standard exchange policy of the Government of India. But we need not take that into account at the present moment. Let us assume that Government are to blame. Government are always to blame, of course, when anything goes wrong, and I can point out steps taken where, I think, the Government were to blame. But Professor Kale goes further and says, not only were they to blame, but they must accept responsibility for everything that has happened. Now let us assume that they are going to accept the responsibility and that this committee is going to be appointed; what are the claims that will have to be met? What claims will importers who have refused or delayed to take up their drafts lay before Government and this committee? One of the first things to be taken into account would be when were these contracts placed regarding which our Honourable friend has spoken in such affecting terms? Were they placed before the 2nd February 1920, that is to say, when the Babington Smith Committee reported and exchange was at 2·4*d.*, or were they placed after September 1920, by which time Government had clearly indicated that they were not to take any further steps by way of selling Reverse Councils? If before February 1920 or after September 1920, I think we must more or less rule them out of account, and that only leaves a period of practically 8 months in between, during which exchange ranged from 2·10*d.* down to 1·11*d.*

Now the next point we would have to find out would be for what deliveries contracts were placed. Will claims arise in respect of due date differences or in respect of actual delivery date differences? That is to say, will the importer rests his claim on the date on which his contract fell due or on the date when he actually got the goods?

Then, further, there will be all sorts of disputes to settle as regards quantities. We know that when we could not get things during the war, we ordered 10 in the hope of getting 1, and then we again ordered 10 in order to get another 1. For some time we used to get 1 and 1 for the 10 and 10 ordered, making 2; but suddenly we began to get the 10 and the 10 making the 20 and that is what is largely at the bottom of the trouble at the present time. We suddenly began to receive the 10 and the 10 ordered, and so naturally we are in trouble. We cannot help being in trouble in the circumstances. Now, having worked to get all this information, the next point is on what basis are the Committee going to recommend a settlement in particular cases? I should just like to give you one or two cases that will have to be settled. The Honourable Member said he did not wish to go into details; but I do not think a committee should be appointed unless you are prepared to go into details. We will have to take up the question whether the seller on the other side delivered the proper quantities at the proper time, and if not, who is to be responsible, the man here or the man on the other side? almost certainly the man on the other side over whom we can have no control. Then, perhaps the buyer on this side did not fix his exchange when he might have done. How can we say what difficulties stood in the way of his fixing his exchange and how are we to apportion the blame? Then again, let us take the case of say three different persons. Take the buyer A, who took delivery and stood up to his losses when the stuff came forward. Take another buyer B, who, after some delay, compromised with his seller and the other parties concerned to take up the goods and share the losses amongst them. And take the buyer C, (for whom largely my Honourable friend is now speaking, I take it) who has refused or delayed to do anything.

Now, how are the Government to apportion the claims to be put forward by those three different persons? Take also the case where goods have been lying in Docksheds and on the quays incurring very heavy storage charges. Who is to decide the party responsible for this? What is to be done where the markets have gone against all three buyers. A's loss is least because he took up his contract. C's loss is greatest because he has done nothing but howl and expects Government to do something to put him in a better position. I can imagine all sorts of other difficulties in the way of this Committee; difficulties in assessing the various losses in different parts of the country; the troubles which will arise in taking into account the conditions existing in Calcutta where contracts have been taken up—and about which not much has been said—and the conditions in other parts of the country, where I believe contracts are also being taken up, but about which a great deal is being said. If this Committee were appointed, everything would be in a state of suspense. A moratorium would be declared. If I were an importer I would say I know that a Committee is going to be appointed and I will sit tight and do nothing. We would have to await the appointment of a committee and it would be a difficult proposition. For my own part, I would want half the committee to be Indians, and yet, I am sure, you would find it a very difficult task to go round India and pick out suitable Indian

[Sir Alexander Murray.]

business gentlemen who are not interested, directly or indirectly, in the subject. The deliberations of the Committee would take a long time, the preparation of their report would take a long time, the consideration of it might take even longer. By the time the day came to promulgate its findings to the public, and the necessary steps had to be taken, a long time would have elapsed. The present financial position of the country would be entirely changed, the circumstances would be quite different from those obtaining when the Committee was constituted.

I have seen several remedies suggested for the present state of affairs. Karachi sent a representative over to Calcutta to discuss this matter with us and they suggested :

'Let Government sell enough Reverse Councils through the local branches of the Exchange Banks at two shillings to the rupee to cover all the goods that were actually ordered last year—not before, indeed, nor after September of last year—' when the rupee was over two shillings and which have not yet been paid for and delivered.'

We have had other suggestions. Here is one from Madras which was sent up to Calcutta. I will read it to you :

" Having regard to the present financial crisis and in the interests of future foreign trade in India the members of the Association resolve that all further imports should be stopped for a period of twelve months, and urges importers of foreign goods in other parts of India to support them.

Requests Government to pass a measure temporarily discouraging all imports except foodstuffs, drugs, machinery and books by imposing, for a period of twelve months, an extra customs levy fully equivalent to the depreciation of the rupee below par.'

It does not say whether that par is to be a sterling par or a gold par. I could read out a lot more, but I am afraid that time will not permit me to do that.

Professor Kale said in the course of his remarks that something should be done by the Government similar to what was done in 1914. I largely agree with what was done in 1914, but was that not largely a matter of arrangement between the different parties ? It is very much the same here. Government did not really do anything, they simply left it to the buyers to make their own arrangements. It is not feasible to argue that Government should exercise any influence on the manufacturers at Manchester in regard to the controversy that is going on at present at Home. What would happen if the Government of India approached the Manchester merchants and asked them to go easy ? They would say, 'you have just jumped the export duty on us. Why should we go easy ?' It has gone up from 7½ to 11 and for all we know it may possibly go up to 12½. What consideration would the Manchester manufacturers give to us if Government were to intervene ? I do not think that Government could usefully intervene between the Manchester merchants and the merchants out here, at the present moment. At the same time, I do believe that some measure of compromise might be arrived at between sellers on the other side and buyers on this side. I have every sympathy with importers in this country, but the acceptance of this Resolution for the appointment of a Committee will not make matters easier for anyone, in view of what the position is now, and it is therefore with much reluctance that I am compelled to differ from the Honourable the Mover as to the necessity of even appointing a committee of this description. Now I have taken so long over the first part of the Resolution, which is really the important

part, that I must deal briefly with the second portion, namely, that dealing with the proposed alteration in the exchange value of the rupee fixed by law, and the modification of the currency system so as to place it on a gold standard basis. We have had various standards in India. We have had both gold and silver standards. Down to 1893 we had a silver standard, and then the introduction of a gold standard was recommended. I suppose my Honourable friend Professor Kale will say it was really through the administrative action of the Government that the proposed gold standard has been developed into a gold exchange standard. At the very end of his Resolution he suggests that the gold exchange standard should be scrapped and replaced by an effective gold standard. I do not think myself that we should be justified in even considering this in the present state of affairs. In any event the Babington Smith Committee made their position clear in this connection. For in their report I see the following—'Indian trade is not likely to suffer any permanent injury from the fixing of exchange at a high level. If contrary to expectation a great and rapid fall in world prices were to take place, and if the costs of production in India fail to adjust themselves with equal rapidity to the lower level of prices, then it might be necessary to consider the problem afresh.'

I do think, Sir, that a time will come for discussing the problem afresh, but I do not think, having regard to the present state of flux and the abnormal conditions, that any committee, such as that suggested, could do useful work yet in setting matters straight. I therefore cannot give my support to the Resolution which has been moved by the Honourable Mr. Kale.

THE HONOURABLE SIR MANECKJI DADABHOY: Sir, I should like to say a few words on this Resolution which has been moved by my Honourable friend Mr. Kale. I have every sympathy with the class of people who have suffered on account of the unprecedented fall in exchange during the last few months, and I may say I view with concern the marked depreciation in the financial market of the country. But I feel very strongly that a committee of the kind contemplated by my Honourable friend the mover would not be in the interests of the country at this critical juncture.

My Honourable friend suggests that a representative committee be appointed at this stage to find out means by which the severe tension caused by the sudden fall in exchange may be removed. My task on this occasion has been very much simplified by the lucid speech of my Honourable friend Sir Alexander Murray, who has practically, I may say, taken the wind out of my sails and has forestalled me on many points on which I had intended addressing this Honourable House. My friend has laid before us a lucid examination of the arguments regarding the balance of trade and the work generally done by the preceding four currency committees. I quite see the force of many of the arguments which have been advanced by my Honourable friend, Professor Kale, and I am in deep sympathy with them. But I am not convinced that a committee of the nature now suggested will be of any service to India.

(At this stage the Honourable Mr. V. S. Sastri took the Chair.)

My friend has said that it is the duty of the Government to run to the rescue of these unfortunate importers, and that, if the Government takes it into its head to help these importers, it will be able to do a great deal. It was also suggested that it was the duty of the manufacturers to meet half way these importers, and that, if a committee of the nature suggested was appointed,

[Sir Maneckji Dadabhoy.]

it would immediately restore confidence and that it would be in a position to give some solution of this controversial question. I wish that was so. If a committee could be appointed which could lay certain concrete proposals before Government for adoption, which would mitigate the severity of the situation, I would readily vote for the appointment of such a committee. But my experience of these committees has been different. I am not standing here to defend the action of Government in any way. I should not be misunderstood. Government certainly made a mistake, in the first instance, in accepting the report of the Babington Smith's Committee, and acting upon it at a time when exchange, as pointed out by my friend Sir Alexander Murray, since 1917, was gradually becoming favourable to this country. My friend says that because Government accepted the recommendations of that committee and took some action, it is its duty now to move further in the matter and come to the rescue of the importers in their critical condition. The logical result of this argument, Sir, is this. Government did make one mistake and there was a muddle over this business. Let the Government now appoint another committee and make another mistake, and let the people suffer further. That is the only result of my Honourable friend's arguments. I have carefully listened to the arguments of my friend. He spoke from the standpoint of a student of politics, a student of economics, and so far as the academical aspect of the discussion is concerned, I quite agree with him. I am speaking to-day, Sir, as one of the people who have suffered by this terrible fall in exchange, and I say that the remedy which is suggested is worse than the disease. What can this committee possibly do? What is the data upon which this new committee can possibly proceed? I have been a student of commercial and financial columns of the public press for some time past, and I have read, studied, and at times examined the proposals that have been placed from time to time for the settlement of this important question. But in all this discussion one main point is lost sight of, and that is, that in this matter of exchange between England and India, it is not only monetary considerations and other causes such as prices of foodstuffs, etc., that govern the exchange, but there are world factors which cannot be ignored. If an international commission was appointed to consider the question of international exchange and how it directly affected other countries, probably some good might result out of an investigation of that character. But here what remedy is suggested? My Honourable friend suggests the appointment of a local representative committee. I expected my Honourable friend to have first pointed out to the Council at least the personnel of such a committee, and we could have then at once known, or at any rate his proposal would have made some impression upon this Council, and would have guided it in coming to a conclusion whether or not to accept the proposal suggested by my Honourable friend. To my mind, I cannot think of any man at present who can successfully deal with the situation and suggest remedies for the immediate settlement of the question. As Sir Alexander Murray has pointed out, the appointment of a committee—and I quite agree with him—will make matters worse. It will bring all business practically to a state of stagnation. Trade in this country will be ruined—in fact, nobody will think of the settlement of their liabilities.

Now, as far as I am aware, only three bold remedies have been suggested which might possibly lead to a settlement of the question. One is a return to the policy of Reverse Councils. The second is the stoppage of imports to

which my Honourable friend Sir Alexander Murray alluded, and the third is the reimposition of the duty on silver. I have not seen any other practical suggestion put forward up to now, either in the press or by merchants and other people who have been afflicted by the sudden fall in exchange. Now, as regards the first suggestion, even if a suggestion of that nature was again adopted, is it at all likely to inspire confidence in the public? Honourable Members are all aware of the great opposition, the persistent opposition that was made in the public press when Government adopted the policy of Reverse Councils, and put the country to a loss of 55 millions as pointed out by my friend Professor Kale. It was then openly said, as the Council is aware, that it was an organised loot; that Indian capital was being depleted, money was going out from this country; and many other similar arguments were advanced. Is it likely that the country is now in a mood to accept even as a temporary measure, apart from its financial consequences, a return to the policy of Reverse Councils? I think my Honourable friend, Professor Kale, will at least admit that this is not the psychological moment when such a measure could be justified even if it could be at all justified.

Then, as regards imports, very many wild suggestions have been made. I was especially shocked to hear it suggested by the Madras Piece-Goods Association that imports should be stopped for a period of one year, and that we should request Government to discourage imports by the imposition of a customs levy equivalent to the depreciation of the rupee below par.

And I submit, with great respect to that Association, that a more grotesque suggestion could hardly have been made. In the first instance, I cannot see how from a practical point of view it is possible to do such a thing. Who has got the power to stop exports? Can Government at present undertake any legislation, stopping wholesale all import of commodities coming into India. Legislation like that would be absolutely impossible, and no responsible body of legislators would ever sanction a proposal like this, and, further, this could not be done except by special legislation. I will not enter into the economic aspect of it, but decidedly it would not be fair that such legislation should be undertaken. Then as regards silver, it has been said that reimposition of a duty on silver might retrieve the position. This duty existed all these years, I say, to our shame and it was a right thing for the Government to have removed it two years ago, and yet I have heard some Members in the other House seriously advocating the reimposition of this duty. Now what does this mean? I suppose Honourable Members are aware, that even in the Babington Smith's Committee Report, if they were certain and unanimous on one point, it was that the import silver duty should be removed immediately. I will only quote one passage from their report. The Majority Report declared:

'That there is a strong feeling in India against the retention of the duty, in that it is an obstacle to the establishment of a world market for silver in Bombay, and places the Indian consumer of silver at a disadvantage in comparison with that of the population of other countries.'

In no country in the world are there, I may say, restrictions on the free import of precious metals. No country in the world has levied such a duty, and if it is done in this country it will be disastrous to the interests of the country. I will give you a few figures to show that, so far as the volume of gold and silver trade is concerned, Indian dealers have been considerably benefited. At the present moment India is exporting gold at the level of Rs. 30 per tola and

[Sir Maneckji Dadabhoy.]

importing silver at the level of Rs. 85 per 100 tolas. It is advantageous for India to sell gold the price of which as measured in rupees is high. (At this stage the Honourable the President took the Chair).

Later on it will be in a position to repurchase its gold at least 20 to 25 per cent. cheaper. I may also point out that since the repeal of the import duties on silver, India has supplied silver to China at the level rate of Rs. 105. This happened almost synchronously with the high prices of silver, and India is now repurchasing with great advantage at the level of Rs. 85. In other words, India had bought its gold some time ago much under Rs. 23 per tola and she is now reselling it and exporting it at a higher rate, at a large premium. My personal opinion is that we are fed up with these committees and the sooner we allow things to take their natural course, the sooner we allow things to run into their natural channels, it would be better for the country. I know the situation is very critical, but things will assuredly improve. Let us hope for a normal monsoon next year. If we get a normal monsoon next year and if the embargo on food grains is removed, and I hope my Honourable friend Mr. Sarma will soon see his way to remove the embargo on the export of food grains in this country, and further if hides and skins are freely exported and jute begins again to move, I am not so unhopeful of the situation as my friend Professor Kale seems to be. We must get our trade restored to its normal condition, and that normality can only be achieved not by tinkering legislation and by erratic recommendations of committees, but by letting things adjust themselves. It is no use our adopting empirical measures for the purpose of settling a problem which is beset with immense difficulties and is complicated by factors relating to world conditions of trade and commerce. In this matter I am deeply in sympathy with my friend, but I do not think that any committee of this nature will be of any assistance in solving the present situation, and I think this Council will not commit another error in giving its approval to the appointment of any such committee. It will be committing a grave error if it accepts this Resolution, because it will not be productive of any good. As regards the settlement of this question I am deeply concerned. If the manufacturers could be brought to meet the importers half way it will relieve the tension, and nobody will be more pleased than I; but can Government legitimately exercise any influence either over importers or manufacturers? We might as well safely suggest from this House to the manufacturers in England and the importers in India to come to some reasonable settlement, but the Committee will not have the power of imposing their recommendation upon these people. It is a mere matter of contractual obligation, it is a mere matter of contractual responsibility and parties are at liberty to act as they like. If they choose to adopt our suggestions then all right and good. I think, however, we must not become altogether hopeless about the situation. Things will improve. We must not overlook the other aspect of the subject also, namely, that the English manufacturers were seriously hit when we were making a profit out of a high exchange. The manufacturers had very bad times for 6 or 8 months. You must not forget that. There is always a cycle of prosperity and a cycle of depression in trade. I therefore sincerely hope that this Council will leave this question severely alone. When we know that committees presided over by eminent financiers, such as the Kerschell Committee, the Fowler Committee, the Chamberlain Committee, and the Babington Smith Committee, when these committees consisting of financial experts have not been able to suggest a solution, is a

representative committee in India going to do anything? It is, in this aspect of the case, that I feel constrained to vote against this Resolution.

The HONOURABLE MR. A. H. FROOM : Sir, I listened with a considerable amount of pleasure to the speech of the Honourable Mover as we all know that exchange and the many questions connected with it have been the object of his careful study for years, and I think that what we have heard from him to-day has been a pleasure to all of us to listen to. Whether we agree with him entirely in his views is perhaps another matter.

I am afraid that I am not convinced that there is any necessity for a Committee—at the present juncture—at any rate. I listened with a certain amount of amazement to the Honourable Member's speech in one respect. He proposed this Committee, and then to a certain degree proceeded to show that it would be rather useless—perhaps that may be putting it a little too strongly—but he proceeded to show what difficulties it would be attended with, and I quite agree with that view, namely, that any Committee appointed now would find obstacles which it is very difficult for us in this Chamber to imagine, such would be their magnitude.

The Honourable Mover referred to Government dropping their policy in connection with Reverse Councils some time ago. I am sure Government regretted that they had to drop that policy, or rather, the circumstances that required them to drop that policy. A few of us indeed would have liked to see the policy dropped a little earlier than it was. Then look at the divergencies of views on that policy. When the Government were selling Reverse Councils, there were shrieks all over the country. When they stopped selling Reverse Councils, the cry arose, 'Why do you not sell Reverse Councils.' So my sympathies are with the Government to some extent as regards that question.

Then when I was up at Simla last autumn in the Legislative Council, an Honourable Member got up and said, 'This high exchange is a great drag on the export trade; a dreadful thing for the export trade.' Now that you have got a low exchange, where is your export trade?

I just mention these instances to show you, gentlemen, how difficult this question is; and how if you adopt one exchange policy to-day, circumstances may arise so that you may have regretfully to drop it in a few months' time and to look at the whole matter in a different way altogether.

Now, there is another point, perhaps I shall be corrected if I am wrong. There are representations from certain quarters as to the losses people are incurring owing to the low exchange. Did these people make any profits when exchange began to rise? I am not quite satisfied they did not? Why, of course they did. Human nature is human nature. You forget the profits you make and you only recognise the losses. Another point in connection with this is that there are two kinds of losses. One is when a merchant looks to make a profit and he does not. He calls it a loss. The next kind is actual loss which a man incurs. I am not certain that in looking at this import question and in making representations to Government, the merchants have taken into consideration the profits they must have made when exchange began to rise.

There is still another aspect which, I think, we are inclined to lose sight of. India was extremely fortunate in escaping the consequences of the war. In comparison with other countries, India has been more than fortunate, and

[Mr. A. H. Froom.]

if at the present time we are experiencing some disturbance which we might regard as the aftermath of the war, I think we should keep well before us that we are in a very much better position than most of the other countries of the world, or many of them. India has been exceptionally fortunate in that respect, and we must expect some of these disturbances. We did not hope to get them, but we have got them at the present time.

Now, as regards Committees : a Committee is formed and then makes its recommendations, as my Honourable friend from Calcutta pointed out for you to accept them or not accept them. If you accept them, then you are subjecting yourself to a control, or a species of control in another form, and I object to control altogether. It was necessary during the war, no doubt, but it will be remembered that not very long ago we voiced our objection to control in a certain trade, and I object to control altogether so far as it can be avoided. Well, then, if we suggest that another committee should be formed, they must in due course make recommendations. What is the use of our suggesting that this Committee should be formed, if, when their recommendations are made, as I suppose they would be made, by men of experience in finance, we do not accept them. When we say 'Let us have a Committee' we bind ourselves to accept their recommendations, and if we accept their recommendations, then I say we shall be introducing another form of control which I dislike intensely.

I do not think I have very much more to say. I do not propose to go into the figures. I listened with very great interest to my Honourable friend from Calcutta, but I should like to make one further reference, and that is to the views of the Bombay Chamber of Commerce. We expressed our views not very long ago in a letter to Government on this whole question, or part of the question. That letter was published in the papers, and no doubt all you gentlemen have seen it. In our opinion, the only salvation for the country in this matter of exchange is the revival of trade. I am sure that is the only thing that will help the present situation. By the revival of trade I mean the revival of exports, and in connection with the revival of exports, many other conditions are bound up with it, such as getting your railways in good order, which I have no doubt Government are keeping well before them. You cannot have a revival of exports unless you can move your produce about from one part of the country to another. We have had difficulties about moving coal, and goodness knows what we are going to do if we have a revival of exports next year.

Our only salvation, I repeat, is in a revival of exports, for you must have a balance of trade in favour of the country in order that the country may be in a flourishing condition. I have nothing further to say. I am afraid I cannot support the Honourable Member's Resolution to appoint another Committee, which, as I have already explained, spells to me only another form of control.

The HONOURABLE THE PRESIDENT : Before the Honourable Member (Mr. Cook) commences his speech, I should like to say that I propose to adjourn at one o'clock punctually. It is common knowledge that what we are really waiting on is the possibility of a message from the other Chamber, and I do not know whether Honourable Members would prefer to adjourn now. I think the feeling is that we should adjourn now. The Council is therefore adjourned till a quarter to three.

The Council adjourned for Lunch.

The Council re-assembled after Lunch with the President in the Chair.

The HONOURABLE* MR. E. M. COOK: Sir, after the very interesting discussion we have had before lunch, and the very illuminating speeches that were made, I do not think I need detain the House at very great length. On one point I can re-assure the Council, namely, that I do not propose to mention the words Reverse Councils.

I should like, if I may, just to bring the Council back to the actual wording of this Resolution. It is rather cleverly worded: The first part of it asks us to recommend the appointment of a committee in order to suggest suitable remedies to relieve the existing tension. The second part has a very much wider application, and asks that apparently the same committee should consider the desirability of making some alteration in the exchange value of the rupee (the Resolution does not say what alteration) as a permanent arrangement.

Now, Sir, I am afraid I must agree with the other speakers who addressed the Council before lunch in saying that I think this Council will be well advised if they do not adopt this Resolution. I want just to make two preliminary points. I do not object to this Resolution on the ground that, so far as the existing state of affairs is concerned, all is for the best in matters of trade and exchange. Of course it is futile to pretend that the present conditions of trade and exchange are either normal or satisfactory. I will return to this point in a minute because my Honourable friend made rather a lot of it. In the second place, I need hardly say that I do not object to this Resolution on the score that it seeks to appoint a committee. I do not for a moment pretend that the problems which, sooner or later, will have to be faced are such as can be solved by the unaided wisdom of the officials of the India Office or the officials of the Government of India sitting in their office rooms. What I do say is that if this Council commits itself to the proposition of my Honourable friend, it will, I am afraid, be asking the committee so appointed to undertake a task which, from the very nature of things, must be impossible.

Let me just consider for a moment separately the two very different parts of my Honourable friend's Resolution. He has spoken of the very serious condition of the Indian import trade, and especially of the piece-goods trade. Now, I fully admit that the condition of the piece-goods and other import markets in this country at the present moment is extremely serious. The majority of importers, as we all know, entered into contracts, a year or more ago, for the delivery of goods without settling their exchange. I do not say at present whether they ought or ought not to have settled their exchange; the fact is that they did not. They made their arrangements at a time when exchange was well above 2 shillings, and they no doubt supposed, in all good faith, having regard to the Currency Committee's recommendations and to the Government of India's endorsement of those recommendations,—I say that they had every reason to suppose that exchange would not fall below 2 shillings. Those goods have now arrived in this country, and these people are being called upon to fulfil their contracts when the market rate is, in many cases I believe, less than one half the rate which obtained when they made their contracts. Of course that is a very serious position. Take the case of a man who, let us say, ordered £1,000 worth of piece-goods. Probably

[Mr. E. M. Cook.]

he calculated at the time that for that he would have to pay say Rs. 10,000, or perhaps only Rs. 9,000, or even Rs. 8,000. Now the goods have arrived, and he is called upon to pay Rs. 15,000 or even Rs. 16,000. That is a very serious matter indeed. I do not want it to be thought that Government does not realise the extreme gravity of the financial position of many of these dealers. Some of these men, rather than incur the odium of repudiating their contracts, have paid up, as my friend Sir Alexander Murray pointed out this morning, frequently at considerable cost to themselves. There are others, and I suppose they are in the majority, who are at the present moment standing out for some sort of compromise, and undoubtedly there are a number of others who simply could not pay at almost any rate of exchange.

As we heard this morning, those dealers who are in places where there are Piece-goods Associations, have passed Resolutions which, from their form and wording, might imply that the whole trouble is due, in some rather undefined way, to the action of the Government, and that somehow or other it is up to Government to indemnify them and to help them to fulfil their contracts. Well, as the Council is aware, any such idea was emphatically repudiated by the Honourable the Finance Member in his Budget speech. I do not want to go into the merits of this point, but I want to make it clear that, although Government cannot for a moment admit that the piece-goods dealers, who were hoping for a continuance of the high rate of exchange that obtained last year, have any kind of claim, either in law or in equity, to be indemnified at the expense of the general taxpayer. At the same time I do not want it to be inferred that Government is in any way inclined to take sides in what is essentially a business dispute. I think it is likely, if the truth were told, that the responsibility would be found to rest almost, not quite, as much, at the door of the exporters in the United Kingdom. We all know what happened during the war, and for some time after the war—the Indian markets were starved of all imports, and dealers were unable to obtain delivery of goods which they had ordered, perhaps, a year or eighteen months before. After the Armistice, the manufacturers in England set to work as quickly as possible, and, when they had fulfilled the requirements of the European markets, or, rather, had supplied as much as European countries could afford to pay for, turned their attention to the East and started shipping to India vast quantities of piece-goods and other imports, orders for which had been on their books sometimes a year, and, I believe in some cases, even two years or more. The consequence was that the Indian markets very soon got overstocked, and I daresay that if those exporters in the United Kingdom had not been in such a hurry to dump their surplus goods on India, and if the conditions under which those contracts had been entered into had been less abnormal, the present position would probably have not arisen. Speaking personally, and as an onlooker, and not on behalf of Government, I will say that it seems to me that this is one of those business disputes which is possibly a case of “six of one and half a dozen of the other,” and it is essentially, therefore, a matter of compromise. At the same time, I do wish to emphasise—and I do hope that Honourable Members in this Council will endorse the view—that this is not a matter for Government to intervene in. It is essentially a business matter, and I have no doubt that the good sense of the business people on both sides will work out an equitable compromise. You may hold a contract from a man, and you may have certain legal rights against that

man, but if you try and take your full pound of flesh from him you may ruin him, and get nothing at all. As my Honourable friend, Sir Alexander Murray, would say, 'Ye canna tak' the breeks off a Hielander.' That, however, is a digression. I have been waiting to hear from the Honourable Mr. Kale, but I did not hear, how a Committee would get those merchants out of their difficulties, or why he thinks it is the function of the State to intervene in a matter of this sort. It is not as if there was any real demand on the part of the business public for Government intervention or for a Committee. There is in the other House a representative of the Piece-Goods Dealers' Association in India and an expert on these questions. I refer to Mr. Man Mohan Das Ramji and I remember the other day, during the debate on the Budget, he repudiated most emphatically any idea that Government should appoint a Committee, to intervene in that way

THE HONOURABLE THE PRESIDENT: Order, order. If the Honourable Member is referring to a debate which took place in the other House during the present Session, then I must request him not to do so, as such a practice must lead to inharmonious relations between the two Chambers. It might result in fruitless arguments between members of two distinct bodies who are unable to reply to each other and one of whom must be discussed in his absence.

THE HONOURABLE MR. E. M. COOK: I should be the last person to wish that, Sir.

I admit it is an extremely difficult position which will require very great patience and compromise on both sides, if it is to be got over, and I can only hope—and I may say that Government hopes—that the good sense of the parties on both sides will soon lead them to come to a compromise, as the present situation is not in the best interests of this country. But I think, Sir, that any enthusiastic ill-advised interference by Government, or by a Committee would do more harm than good, and might actually prevent the two sides from coming together. That is all I have to say regarding the present position of the Indian import markets.

I should like to say just two or three words regarding the second part of the Resolution, which has such a very wide and general application. I must say that when I saw my Honourable friend's Resolution it nearly took my breath away. To think that any committee—even a committee of archangels as my Honourable friend suggests—could at present fix any sort of rate of exchange, is, I think, to shut one's eyes to the real facts that are at the bottom of the present situation, and to all that has happened in Europe since the Armistice. We all know what the position is, and what it is due to. India's best customers are now either actually bankrupt or on the verge of bankruptcy. Does my Honourable friend think that a committee could enable the starving population of Austria to buy India's goods? Does he think that a committee could put Italy on her feet again financially, and enable her to buy our seeds and ground nuts? Could a committee solve the problem of Germany's reparation payments which is, I am afraid, holding back the resumption of trade between Germany and other countries of the world? Could a committee evolve order out of chaos in Russia, and so enable her to buy our tea, etc. Those are the things that readily count in the present state of affairs. I do not wish to go over the ground covered by the Honourable the Finance Member in his Budget speech, but I take it that the Council is fully seised of the actual factors which are at work in the world now, and

[Mr. E. M. Cook.]

so long as they operate in their present intensity, they must, I am afraid, prevent any large amount of revival in India's export trade.

As an instance of the present state of the world trade let us take the case of the export of jute. I must speak with very great diffidence about jute in the presence of my Honourable friend, Sir Alexander Murray. But every one knows that the condition of the jute trade is always a very good indication of the condition of the world trade. If there is a great demand for jute, sacks, hessians, wool and packs and other similar things, it is an extremely good indication that the markets of the world are busy, that wheat is moving, that wool is moving, and that the products of all the countries of the world are moving from one place to another, for they must have our jute fabrics to carry their goods in. At the present moment, I believe that the jute trade is practically dead or stagnant. I am afraid I do not quite see how a committee could solve that problem. I quite admit that a no-policy is the hardest to defend and the easiest to criticise. But I think that in the present circumstances it is the only safe policy, even if it does make some demands upon our courage and upon our patience. Honourable Members in this House who represent business interests have, I think, indicated to the Council that there is no real demand on the part of the commercial community in this country to attempt to arrive at once at any permanent solution of our present difficulties, and I think my Honourable friend himself in his speech rather recognised that fact, in fact he was, I think, inclined to whittle down the very definite wording of his Resolution. What I understood him to say was this: 'I admit that we could not arrive at a solution now. But let a Committee be appointed and let them think over the matter. If not now, perhaps in a few months' time, or in the autumn, they may see daylight'. That is all very well, but it is not the Resolution before us. The Resolution speaks of the 'urgent necessity' of an inquiry, with a view to suggest suitable remedies. The question, I submit to the Council, is whether it is possible to form a committee, however, well-constituted—and I quite agree with the previous speakers that any committee to command confidence in this country must be such that its personnel will ensure that its recommendations shall be accepted—which can possibly solve the present difficulties. I am not prepared to say that in the course of a few months, or possibly next year, things may not have so altered that we may be able to see some daylight in the present darkness. If so, then I have no doubt whatever that Government will consider whether or not the time has come to have a thoroughly representative committee. And I may say that this Council may rest assured that, if there is going to be any fundamental change, any new rate to be settled, or any attempt at a permanent solution, neither the Government of India nor the Secretary of State will do this off their own bat.

The HONOURABLE SIR DINSHAW WACHA: Sir, I think that my Honourable friend, the Mover of this Resolution, might have exercised more practical wisdom by refraining at this hour from moving it. For, so far as the practical question is concerned, I agree with my Honourable friend, Sir Alexander Murray, and the other speakers who have spoken on the subject, that the present fix of exchange is such that no committee, however expert it may be, whether here or in England, can arrive at the right solution on the problem. The stabilisation of exchange all over the world is a

problem of the greatest difficulty. Even the Brussels Conference were unable to come to any practical decision, and only concluded their proceedings with the appointment of a smaller committee to further investigate and report on the matter by June in order to arrive at some practical recommendation. Therefore, it does not stand to reason that we here, whatever committee may be formed, will be able to achieve any good. Moreover, we do not pretend to be such experts as those who assembled at Brussels last year. As they say, in the dark the only cuts are the shortest. That is an old maxim, but a very truthful one. We all grope in the dark as far as the exchange question is concerned. But my Honourable friend the Mover seems to think that he could devise a short cut through the darkness to view the early dim rays of light. He expects everything will go right if only a committee were appointed! May I say he is greatly mistaken and will be greatly disappointed if even at the end of the next 12 months and more, after the world's economic improvement and the betterment of conditions in Europe, he finds that the stabilisation of exchange is remote and in no way an accomplished fact. There are so many complex factors in exchange, whether inland exchange or universal exchange, which need to be unravelled. Universal exchange is just now in an erratic condition. I wish to say, Sir, that the science of economics, particularly of exchange, theoretical and practical, is empiric still. The science of astronomy is an exact science where the astronomers are able even to-day to fix the erratic movements of comets and predict their advent with precision. But I beg to say, Sir, that the exchange question is even more erratic than the movements of comets themselves. I repeat that astronomers are able to predict with precision their movements when they will appear on the earth, when they will disappear, and again re-appear. But none can predict at present, even for a week, what course exchange may take, upward or downward. The science, I say, of exchange is so exceedingly difficult and inexact that we cannot for months forecast when stability might be expected, not only in India, but in the whole of the world.

Well, Sir, that being the case, I do earnestly hope that my Honourable friend, for whose economic knowledge I have great respect, will be wise, after the expression of opinion of such great practical business and experienced persons as the Honourable Sir Alexander Murray and the Honourable Mr. Cook, and tell us that he would withdraw the Resolution. The Honourable Mr. Cook has assured the Council that the Government are fully alive to their responsibility and that the time will come when they might with advantage think of a move in the matter. But for them to take a move at present will be simply to wander more and more in the region of darkness and uncertainty. As far as the cloth contracts question is concerned, I do agree with the Honourable Mr. Cook that it is one between trader and trader. There are, as we all know, traders and traders. There are traders who are the very pink of morality, while there are others, Sir, who consider commercial morality to be a zero! With them morality is an earthquake. Their moral standard is so low that they do not understand the honesty of commercial transactions. It comes to this, Sir, that it is a question of struggle between the one side and the other, as to who shall win in the end. Meantime all sorts of suggestions are being made, suggestions which are mostly bizarre. I think a little prudence, a little wisdom, and a little patience need to be exercised at present before the difficulty can be satisfactorily solved. It cannot be entirely solved, for we have to remember that so long as we have to depend on the monsoon for our exports and a favourable balance of trade, there must be uncertainty to

[Sir Dinshaw Wacha.]

a limited extent. How can we predict the future? How can we say what the monsoon will itself be next year? We hope—we fervently hope—that the monsoon may be a good one, and that following a good monsoon, we may have good crops and an infinitely better trade every way. Without better trade it is not possible to do anything at the present moment. I repeat we are not quite sure of the monsoon itself. If the monsoon fails—I hope it will not—then the situation will in all probability become worse than it is to-day. But if that worse situation unfortunately comes, will the committee that is appointed, supposing the Council agrees to the appointment of one, be able to do anything? I think, Sir, the committee will find itself in exactly the same position in which the Currency Committee found themselves on the 2nd of February last year when exchange rose to 2s 8d. Therefore, Sir, the dictates of wisdom, the dictates of prudence, the dictates of everything sound and practical, as also the universality of the flux of exchange everywhere, suggest that it will be wise on the part of the Honourable the Mover not to press his Resolution but to withdraw it, and I do hope, as the Honourable Mr. Cook anticipates, that the commonsense of this Council will assert itself and request Mr. Kale to withdraw his Resolution.

The HONOURABLE LALA SUKHBIR SINHA: I think I shall be failing in my duty if I do not rise and give my support to this Resolution. The tradesmen and commercial people in this country are now getting very anxious, and these two questions of exchange and currency are becoming very troublesome. Trade is now at a standstill. Imports and exports are suffering very much. I think the time has come for the Government of India to take steps to settle these questions once for all. Otherwise trade will suffer greatly. Much opposition has been made to the appointment of a committee. I agree that these committees take a long time to make inquiries and to make their report. But what I find is that the previous four committees sat in England and not in India, and the last committee consisted of only one Indian Member, Mr. Dalal, while ten Members were Europeans. In such a case can it be said that the interests of India were fully considered and not overlooked? I think the time has come when the Government of India should appoint a committee of its own with more Indian Members on it, and having some Europeans from outside, to consider the whole question of exchange and currency having the interests of India before them. Therefore, I strongly support this Resolution and commend this Council to give their vote to the appointment of a committee.

The HONOURABLE MR. G. S. KHAPARDE: Sir, I wish to support this Resolution on the three counts which it contains, namely, the Committee, the exchange and lastly, the currency, the three questions involved. I am not a financial expert and I speak with no authority, but there are certain points which even a man of commonsense, I suppose, may submit. About the utility of this committee, it has been said that it will do no good at all, that it will cause a great deal of delay and will be ultimately infructuous. Perhaps it may be so. I am not sure that it will be so, but it might be so. But even then it will be wiser that our best people should sit together and take counsel and find out some remedy or try to find out some remedy rather than do nothing and merely stand by with folded hands, saying 'Well, nature will have its course and ultimately I promise nature will decide for the best'. That, I suppose, is not the proper attitude to assume in a case of this kind. When this last

Commission met I happened to be in England and one member of the Commission returned in the same boat with me to India. That was Mr. Dalal, and had his views been accepted and been acted upon, this crisis would never have arisen at all. That makes me immensely proud that after all there is one Indian financier who made a correct diagnosis of the situation. He spoke about the inflation of prices, the effect of a good monsoon and all that kind of thing, and prophesied nearly everything which, as I understand from my limited knowledge of finance, has actually happened, but unfortunately the Government of India, going on the rule of the majority, rather than on the reasonableness or the correctness of opinions, as they should, said that when so many members say so and so they must be right. They acted on the democratic principle, I quite agree, but in matters of intellectual theory and intellectual forecast I suppose numbers cannot count for much. Anyhow Mr. Dalal's conclusions were not accepted, and here we are confronted with this crisis. Then there is a further thing. The Honourable Mr. Cook said that there is not a real general demand on the part of the merchants. Perhaps as a member of the Government, he has got more sources of information than I have. But all the merchants I have met and all the people I have spoken to told me that this exchange question is the one about which we should try to remedy the situation and they wanted me to do all I could. I told them, 'Look here, I am not at all an expert and perhaps I shall say something very foolish'. They told me 'That does not matter. We want you to press this question and bring it to the notice of the Government and we want Government to seriously apply their minds to it.' They referred, or used to refer, to a case when similar things occurred in 1914, when, I believe, Government intervened and gave two months' time to Manchester merchants for settlement. The Indian merchants now say that Government ought to come in now also, more especially as it in a manner held out hopes that led us into obligations which cannot be met just now. They are not strictly and legally accurate, but anyhow Government is a party to it in some form. I do not say that Government must be called upon to make good their losses. That is not my point, but certainly Government is bound, I suppose, having made those representations, to take steps now to show to the merchants that it is exerting itself in their favour and trying to save them to such extent as is possible, also to soften the blow and it may even be to tranquillise and remove the irritation that has been produced now. There is a great deal of feeling among the Indian merchants, anyhow on the part of those whom I have met, that Government is doing nothing, that the Government intervened in 1914 and did this and that to save Manchester, and now that the scales have turned against us, Government simply sit tight saying: 'We cannot do anything at all. We want to leave it to nature'. I wish they had left it to nature nearly a century ago. This brings me to the question of our exchange. This is a question of really modern origin. Perhaps one might say it began rather within the last 100 years. India had a gold coin of its own called the Mohar. The Muhammadans had a gold coin called the Ashrafi. Our account books also show that there was a gold coin. How is it that this gold coin disappeared straight off, and that this rupee was substituted? This rupee has brought about the question of exchange and this question of exchange has become so intricate that even people who have been engaged in it, the whole of their lives cannot find a solution. As the Honourable Sir Dinshaw Wacha told us just now, the times are so dark that even experts cannot see ahead. Then I put the simple question—that being so

[Mr. G. S. Khaparde.]

and an ignorant man being in very much the same position as an expert, what is the good of an expert? He may as well sit at home if he cannot help us in these difficult times. When I am suffering and my physician tells me that he can do nothing to save me, then no physician should exist in this world. This is exactly the time when the most experienced financiers should sit together and try and save this tremendous ruin that is coming upon our people. Well, as I say, Mr. Dalal has justified the financial intelligence of India in his own person, and I believe even now that, if sufficient people sit together in India, and I think they should sit in India, they will, in communication with the merchants who are engaged in these dealings, probably arrive at a solution which will command the admiration of all future generations. Supposing nothing comes of it, then it does not matter. There have been four Commissions which have been unsuccessful and this will be a fifth. There is no harm in any case. Therefore this committee, if appointed, will encourage the merchants to believe that something is being done for them. If something is really done, then so much the better. If nothing comes of it, it is all right, the position is no worse than it is at present. Since the days of my boyhood upwards, when I began to study Fawcett, Mill and others, I could not understand why this double standard, as it was called, was imposed on India and also why what was called the silver standard was forced into India. We had our own gold currency. Well, however, I do not wish to go into old matters. Last year I suppose Honourable Members who were here will probably remember it was said that arrangements were made in Bombay for a gold mint and gold coins were to be issued after the dies were received from England. We found afterwards that gold was prohibited from coming to India. At least it had to come under certain licences and with some difficulty and gold coins were not therefore issued.

So far as I can see, it may not materialise for another 20 years. So these are all matters which really ought to be put before a Committee, and I think they ought to make some recommendations, and if they cannot stave off our losses, at any rate they will provide an insurance against loss. So I submit that this Resolution will serve a very useful purpose if it is carried out. It will hearten many people and provide remedies for the situation with which we are confronted.

With these words I heartily support this Resolution.

THE HONOURABLE MAUNG PO BYE : Sir, as a layman, not even a novice, in the question of the exchange problem, it strikes one's intelligence that there is a large and influential body of capitalists and financiers somewhere in this world—it may be in America, in England, in China or in India—who are playing with the exchange, and making huge incomes on account of the fluctuations in exchange. I am not convinced that the capitalists and financiers of India have no hand in it, if not as members then as nodding outsiders, reaping the same benefit. They are such able businessmen that they can manipulate the question so as to show us one side of the shield only and not the other, to effect their own interests. So my point is—I want to put it very shortly—I ask the Government to inquire deeply into this matter, not only in India but in England and in other countries, and to shape the currency policy on a sound basis. I therefore support the Resolution.

The HONOURABLE MR. KALE: Sir, the reply I shall give those who have spoken against my Resolution will be a very short one. It would have given me very great pleasure to accept the suggestion which has fallen from my revered friend, the Honourable Sir Dinshaw Wacha. I should not like at any time to go against his wishes, but I regret very much to say that I am not at all convinced by the arguments which he and others advanced against the request I have made for an inquiry by a committee. The Honourable Sir Dinshaw Wacha was inclined to be too kind and too liberal in this matter towards Government. I do know what he would have said with regard to the present exchange policy of Government a few years back. However, I will say one thing, that when the gold standard policy was adopted, the mildest language he used in speaking of that policy was that the policy was a 'crime.' I am not going to use such hard language, but I cannot absolve Government from the responsibility which attaches to it in the matter of what has been called the exchange muddle. I have been asked, how is the Government responsible? I have already replied and showed how Government is responsible. The very currency system and policy of Government implies the maintenance of gold reserve. Has that reserve been used? Has it been functioning? Government had in the Paper Currency Reserve its first line of defence, as it was called. That first line of defence has been broken through. The very citadel of the currency system has now been attacked, and no use has been made of that gold standard reserve. I ask, why has that Gold Standard Reserve been built up? What was the object of the reserve as laid down by so many Commissions? Take the Fowler Committee; take the Chamberlain Commission. What has been done to carry out their intentions with regard to the Gold Standard Reserve? If it is not to be used in a time of difficulty, in a time of crisis, what is the use of having it at all? The attitude of the Government of India in this matter reminds one of Goldsmith's miser who visits his store and 'counts and recounts it over'. He visits the store of gold day after day, admires it, looks at it, but never uses it. Poor merchants might justly challenge Government and say, 'Here you are, you have a gold standard reserve, why should you not use it in order to maintain the exchange—it may be to 24*d.* sterling, it may be to 16*d.*'. If the Government do not do this, that means that the policy of Government has failed. The system has absolutely collapsed. The Honourable the Finance Member, while speaking in the late Imperial Council in connection with the currency legislation and general financial matters, and defending the policy of selling Reverse Councils, in effect observed:

'If we do not take these measures, what will happen to our currency system? Will it not collapse? It is for the purpose of maintaining this system that we are taking these measures.'

The times are in fact so extraordinary that no system can be maintained at this juncture. Well, I come in here and say, if that is so, if the Government's policy has absolutely failed, why not have an inquiry and see, as I have asked, whether a gold standard can be adopted in this country? It is a very old demand—a demand persistently made from the time of the recommendations of the Fowler Committee. The recommendations of that Committee were not carried out, and in the place of a gold standard, a gold exchange standard was adopted. The last Committee of Inquiry into this question was precluded from considering this aspect of the exchange problem. Among the terms of reference made to this Committee, they were asked to 'make recommendations as to such modifications, and generally as to the policy, that should be

[Mr. W. G. Kale.]

pursued with a view to meeting the requirements of trade, to maintaining a satisfactory monetary circulation and to ensuring a stable gold exchange standard.' Their recommendations were to be made consistently with the maintenance of the gold exchange standard. But everything is now in a state of flux. The old system has collapsed. Why not then consider the practicability of adopting a gold standard? Many of the objections which used to be taken to the adoption of a gold standard, accompanied by a gold currency, have vanished. It was said 'India is too poor to have a gold standard'. Now, on the other hand, we are told, 'India is prospering, wages are rising, prices and incomes are rising'. Cannot we, therefore, introduce a gold currency? Can we not adopt a gold standard?

As my Honourable friend Sir Alexander Murray has observed, the rate of exchange was high already before Government put it up at 2½d. gold. But why was it high? It was high for reasons into which I am not going to enter into at the present time. Sir Alexander Murray himself knows the circumstances. The circumstances have been set out in the report of the Babington Smith Committee. It was India's sacrifices during the war that entailed the rise in exchange. India sacrificed for the Empire, India suffered for the Empire. Are we not now going to have that form of exchange and currency system that they have in England and other countries? I recognise that the time is not auspicious for holding out for a particular rate of exchange. I am not asking for it. What I am asking for is this. Let us keep our currency goal before our eyes. The Honourable Sir Dinshaw says 'There is darkness everywhere, we cannot see our way.'

That is true, but what is your ideal, your goal? The Honourable the Finance Member refuses to say what the policy of the Government of India will be in future. Let us say that our goal is the gold standard accompanied by a gold currency. If that goal is placed before ourselves, then the proposed committee could go into the question and say under what circumstances it could be introduced. To my mind this is not an inopportune time for such an inquiry. On the contrary, it is the proper time when an inquiry should be instituted. I do not want Government to do certain things and then say, 'Well, we have arrived at this stage in the evolution of our exchange policy'. Before things develop, let us make an inquiry. As I pointed out in my earlier speech, those conditions on which the recommendations of the Babington Smith Committee were based no longer exist. Silver is not dear. Prices are going down. Therefore, there is no reason why we should stick to a particular exchange rate. I do not want to be dogmatic. I do not want, at the moment, to plump for a particular rate; the Committee of Inquiry has to consider what that rate is to be consistently with the gold standard. That is my idea. There are in India a very large number of people who want a gold standard. They say that most of our difficulties have arisen out of the absence of a gold standard in this country. Under these circumstances, it is the duty of Government to see whether, and under what conditions, this gold standard can be introduced. So far as I am concerned, I find that the difficulties in the way of an inquiry have been exaggerated. I do not say there are no difficulties; it would be wrong to say there are no difficulties. Difficulties there are, but it is in the midst of difficulties that we have to see far ahead; it is at this time that we can make an inquiry fruitfully. I do not mean to say that the rate of exchange will go up immediately to 24d.; I have no such hallucinations; but, at the same time, Government must consider the demands and the feelings of the people. You

must not give the people grounds for saying that the Government is not moving a finger where it ought to take some action. That is the feeling prevailing in the country. Government must meet that feeling, and a sure way of doing that would be an inquiry through a committee. People will see that the committee may not be able to achieve the result which some people expect, and they will say, here is a representative committee; it has made an inquiry and has arrived at certain conclusions. Nothing beyond this can be done by Government, and they will be satisfied. We shall have this consolation, that an inquiry was made, Government was not unsympathetic but took active measures to help importers and to realise its responsibility in this respect. You will thus allay public feeling. I do not know whether Government realises the depth and the intensity of the feeling that exists. I speak so strongly, because I have come in contact with a large number of people who have given expression to their views on this subject, and, as I have already stated, what may be called the hostility to Government is due entirely to this that Government is following a policy into the secrets of which the people are never allowed and never admitted, and there is the feeling that in London there is a clique which is doing certain things which are detrimental to the best interests of India. These are the suspicions. We are living in an atmosphere of distrust and suspicion, and I pray to Government not to deepen those suspicions, not to intensify them, but to make a concession to popular feeling. The difficulties are exaggerated; they can be multiplied if we choose; but I am quite certain that if the Government takes it into its head, it can appoint a committee, it can make an inquiry, and that same committee, expanded or modified according to the circumstances of the case, may also make an inquiry into the larger and the permanent question of the system of currency and exchange in this country.

I want Honourable Members of this House to realise their responsibility in this matter, and I hope that after what I have said they will give me their strong support.

THE HONOURABLE MR. E. M. COOK : Sir, I did not intend to inflict myself again on the House on this rather sultry afternoon, but there is just one thing my Honourable friend said that I do not think I ought to allow to go unanswered. He made rather effective play with Government's omission, as he would call it, to utilise the Gold Standard Reserve at present. He accused us of being miserly, and of gazing at this hoard, which hoard might be used with such great benefit to the poor Indian importer, who is suffering from the fact that he is called upon to fulfil his contracts at a low exchange. I hope that that rather impassioned plea will not influence Honourable Members. I feel quite sure that they will realise that one of the most dangerous, one of the most unfortunately conceived policies, would be to go and squander away that Gold Standard Reserve at the present moment in an attempt, which must be ineffectual, which must prove a failure, to prop up exchange at some sort of level, either 1s. 4d., 1s. 5d. or 1s. 6d. If Government adopted such a policy and failed, and had meanwhile squandered the Gold Standard Reserve, who would be the first to get up and accuse Government of wasting India's resources? I should like to bring this Council back just to hard cold facts. I submit that my Honourable friend has to show that conditions are now in such a state, something like normality, that any profitable deduction can be drawn; that there is emerging from all this chaos, all this unrestful sea, some sort of rock on

[Mr. E. M. Cook.]

which we can build our financial and exchange policy. This he has not done. I am afraid that, if at the present time this committee were appointed—Mr. Khaparde said it would not do any harm, but I submit it would do a great deal of harm—it would lead to hopes which, from the very nature of things, could not possibly be fulfilled. It would do a very great deal of harm to business and commerce in this country if this Council attempts to hold out or dangle before the country any false hopes that there is any chance whatever of a permanent solution of our exchange difficulties for some little time to come.

The HONOURABLE THE PRESIDENT : The question is :

' That this Council recommends to the Governor General in Council the urgent necessity of an inquiry by a special representative committee into the exchange situation with a view to suggest suitable remedies to relieve the existing tension connected therewith, and to consider if it is not desirable to propose an alteration in the exchange value of the rupee fixed by law, and a modification of the currency system so as to place it on a gold standard basis.'

The motion was negatived.

The HONOURABLE MR. KALE : I beg for a division.

The HONOURABLE THE PRESIDENT : The Honourable Member should have claimed before I said 'The Noes have it'. I gave him full opportunity. I said, 'I think the Noes have it' twice.

The Council then adjourned till Monday, the 21st March, 1921.

ernm.

rd